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AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS.

BY

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AN

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INQUIRY

INTO THE

NATURE AND CAUSES

OF THE

WEALTH OF NATIONS.

BOOK II.

Of the Nature, Accumulation, and Employment of Stock.

INTRODUCTION.

IN that rude ſtate of ſociety in which there is no diviſion of labor, in which exchanges are ſeldom made, and in which every man provides every thing for himſelf, it is not neceſſary that any ſtock ſhould be accumulated or ſtored up beforehand in order to carry on the buſineſs of the ſociety. Every man endeavours to ſupply by his own induſtry his own occaſional wants as they occur. When he is hungry, he goes to the foreſt to hunt; when his coat is worn out, he clothes himſelf with the ſkin of the firſt large animal he kills: and when his hut begins to go to ruin, he repairs it, as well as he can, with the trees and the turf that are neareſt it.

But when the diviſion of labor has once been

thoroughly introduced, the produce of a man's own labor can ſupply but a very ſmall part of his occaſional wants. The far greater part of them are ſupplied by the produce of other men's labor, which he purchaſes with the produce, or, what is the ſame thing, with the price of the produce of his own. But this purchaſe cannot be made till ſuch time as the produce of his own labor has not only been compleated, but ſold. A ſtock of goods of different kinds, therefore, muſt be ſtored up ſomewhere ſufficient to maintain him, and to ſupply him with the materials and tools of his work till ſuch time, at leaſt, as both theſe events can be brought about. A weaver cannot apply himſelf entirely to his peculiar buſineſs, unleſs there is beforehand ſtored up ſomewhere, either in his own poſſeſſion or in that of ſome other perſon, a ſtock ſufficient to maintain him, and to ſupply him with the materials and tools of his work, till he has not only compleated, but ſold his web. This accumulation muſt, evidently, be previous to his applying his induſtry for ſo long a time to ſuch a peculiar buſineſs.

As the accumulation of ſtock muſt, in the nature of things, be previous to the diviſion of labor, ſo labor can be more and more ſubdivided in proportion only as ſtock is previouſly more and more accumulated. The quantity of materials which the ſame number of people can work up, increaſes in a great proportion as labor comes to be more and more ſubdivided; and as the operations of each workman are gradually reduced to a greater degree

of ſimplicity, a variety of new machines come to be invented for facilitating and abridging thoſe operations. As the diviſion of labor advances, therefore, in order to give conſtant employment to an equal number of workmen, an equal ſtock of proviſions, and a greater ſtock of materials and tools than what would have been neceſſary in a ruder ſtate of things, muſt be accumulated beforehand. But the number of workmen in every branch of buſineſs generally increaſes with the diviſion of labor in that branch, or rather it is the increaſe of their number which enables them to claſs and ſubdivide themſelves in this manner.

As the accumulation of ſtock is previouſly neceſſary for carrying on this great improvement in the productive powers of labor, ſo that accumulation naturally leads to this improvement. The perſon who employs his ſtock in maintaining labor, neceſſarily wiſhes to employ it in ſuch a manner, as to produce as great a quantity of work as poſſible. He endeavours, therefore, both to make among his workmen the moſt proper diſtribution of employment, and to furniſh them with the beſt machines which he can either invent or afford to purchaſe. His abilities in both theſe reſpects are generally in proportion to the extent of his ſtock, or to the number of people whom it can employ. The quantity of induſtry, therefore, not only increaſes in every country with the increaſe of the ſtock which employs it, but, in conſequence of that increaſe, the ſame quantity of induſtry produces a much greater quantity of work.

Such are in general the effects of the increafe of ftock upon induftry and its productive powers.

In the following book I have endeavoured to explain the nature of ftock, the effects of its accumulation into capitals of different kinds, and the effects of the different employments of thofe capitals. This book is divided into five chapters. In the firft chapter, I have endeavoured to fhow what are the different parts or branches into which the ftock, either of an individual, or of a great fociety, naturally divides itfelf. In the fecond, I have endeavoured to explain the nature and operation of money confidered as a particular branch of the general ftock of the fociety. The ftock which is accumulated into a capital, may either be employed by the perfon to whom it belongs, or it may be lent to fome other perfon. In the third and fourth chapters, I have endeavoured to examine the manner in which it operates in both thefe fituations. The fifth and laft chapter treats of the different effects which the different employments of capital immediately produce upon the quantity both of national induftry, and of the annual produce of land and labor.

C H A P. I.

Of the Divifion of Stock.

WHEN the ftock which a man poffeffes is no more than fufficient to maintain him for a few days or a few weeks, he feldom thinks of de-

riving any revenue from it. He consumes it as sparingly as he can, and endeavours by his labor to acquire something which may supply its place before it be consumed altogether. His revenue is, in this case, derived from his labor only. This is the state of the greater part of the laboring poor in all countries.

But when he possesses stock sufficient to maintain him for months or years, he naturally endeavours to derive a revenue from the greater part of it; reserving only so much for his immediate consumption as may maintain him till this revenue begins to come in. His whole stock, therefore, is distinguished into two parts. That part which, he expects, is to afford him this revenue, is called his capital. The other is that which supplies his immediate consumption; and which consists either, first, in that portion of his whole stock which was originally reserved for this purpose; or, secondly, in his revenue, from whatever source derived, as it gradually comes in; or, thirdly, in such things as had been purchased by either of these in former years, and which are not yet entirely consumed; such as a stock of clothes, household furniture, and the like. In one, or other, or all of these three articles, consists the stock which men commonly reserve for their own immediate consumption.

There are two different ways in which a capital may be employed so as to yield a revenue or profit to its employer.

First, it may be employed in raising, manu-

facturing, or purchaſing goods and ſelling them again with a profit. The capital employed in this manner yields no revenue or profit to its employer, while it either remains in his poſſeſſion, or continues in the ſame ſhape. The goods of the merchant yield him no revenue or profit till he ſells them for money, and the money yields him as little till it is again exchanged for goods. His capital is continually going from him in one ſhape, and returning to him in another, and it is only by means of ſuch circulation, or ſucceſſive exchanges, that it can yield him any profit. Such capitals, therefore, may very properly be called circulating capitals.

Secondly, it may be employed in the improvement of land, in the purchaſe of uſeful machines, and inſtruments of trade, or in ſuch-like things as yield a revenue or profit without changing maſters, or circulating any further. Such capitals, therefore, may very properly be called fixed capitals.

Different occupations require very different proportions between the fixed and circulating capitals employed in them.

The capital of a merchant, for example, is altogether a circulating capital. He has occaſion for no machines or inſtruments of trade, unleſs his ſhop, or warehouſe, be conſidered as ſuch.

Some part of the capital of every maſter artificer or manufacturer muſt be fixed in the inſtruments of his trade. This part, however, is very ſmall in ſome, and very great in others. A maſter

taylor requires no other inſtruments of trade but a parcel of needles. Thoſe of the maſter ſhoemaker are a little, though but a very little, more expenſive. Thoſe of the weaver riſe a good deal above thoſe of the ſhoemaker. The far greater part of the capital of all ſuch maſter artificers, however, is circulated, either in the wages of the workmen, or in the price of their materials, and repaid with a profit by the price of the work.

In other works a much greater fixed capital is required. In a great iron-work, for example, the furnace for melting the ore, the forge, the ſlitt-mill, are inſtruments of trade which cannot be erected without a very great expenſe. In coal-works and mines of every kind, the machinery neceſſary both for drawing out the water and for other purpoſes, is frequently ſtill more expenſive.

That part of the capital of the farmer which is employed in the inſtruments of agriculture is a fixed; that which is employed in the wages and maintenance of his laboring ſervants, is a circulating capital. He makes a profit of the one by keeping it in his own poſſeſſion, and of the other by parting with it. The price or value of his laboring cattle is a fixed capital in the ſame manner as that of the inſtruments of huſbandry: Their maintenance is a circulating capital in the ſame manner as that of the laboring ſervants. The farmer makes his profit by keeping the laboring cattle, and by parting with their maintenance. Both the price and the maintenance in the cattle which are bought in and fattened, not for labor, but for ſale, are

a circulating capital. The farmer makes his profit by parting with them. A flock of ſheep or a herd of cattle that, in a breeding country, is bought in, neither for labor, nor for ſale, but in order to make a profit by their wool, by their milk, and by their increaſe, is a fixed capital. The profit is made by keeping them. Their maintenance is a circulating capital. The profit is made by parting with it; and it comes back with both its own profit, and the profit upon the whole price of the cattle, in the price of the wool, the milk, and the increaſe. The whole value of the ſeed too is properly a fixed capital. Though it goes backwards and forwards between the ground and the granary, it never changes maſters, and therefore does not properly circulate. The farmer makes his profit, not by its ſale, but by its increaſe.

The general ſtock of any country or ſociety is the ſame with that of all its inhabitants or members, and therefore naturally divides itſelf into the ſame three portions, each of which has a diſtinct function or office.

The firſt, is that portion which is reſerved for immediate conſumption, and of which the characteriſtic is, that it affords no revenue or profit. It conſiſts in the ſtock of food, clothes, houſehold furniture, &c. which have been purchaſed by their proper conſumers, but which are not yet entirely conſumed. The whole ſtock of mere dwelling-houſes too ſubſiſting at any one time in their country, make a part of this firſt portion. The ſtock that is laid out in a houſe, if it is to be the dwelling-houſe of the proprietor,

ceafes from that moment to ferve in the function of a capital, or to afford any revenue to its owner. A dwelling-houfe, as fuch, contributes nothing to the revenue of its inhabitant; and though it is, no doubt, extremely ufeful to him, it is as his clothes and houfehold furniture are ufeful to him, which, however, make a part of his expenfe, and not of his revenue. If it is to be let to a tenant for rent, as the houfe itfelf can produce nothing, the tenant muft always pay the rent out of fome other revenue which he derives either from labor, or ftock, or land. Though a houfe, therefore, may yield a revenue to its proprietor, and thereby ferve in the function of a capital to him, it cannot yield any to the public, nor ferve in the function of a capital to it, and the revenue of the whole body of the people can never be in the fmalleft degree increafed by it. Clothes, and houfehold furniture, in the fame manner, fometimes yield a revenue, and thereby ferve in the function of a capital to particular perfons. In countries where mafquerades are common, it is a trade to let out mafquerade dreffes for a night. Upholfterers frequently let furniture by the month or by the year. Undertakers let the furniture of funerals by the day and by the week. Many people let furnifhed houfes, and get a rent, not only for the ufe of the houfe, but for that of the furniture. The revenue, however, which is derived from fuch things, muft always be ultimately drawn from fome other fource of revenue. Of all parts of the ftock, either of an individual, or of a fociety, referved for immediate confumption, what is laid

out in houfes is moft flowly confumed. A ftock of clothes may laft feveral years : a ftock of furniture half a century or a century : but a ftock of houfes, well built and properly taken care of, may laft many centuries. Though the period of their total confumption, however, is more diftant, they are ftill as really a ftock referved for immediate confumption as either clothes or houfehold furniture.

The Second of the three portions into which the general ftock of the fociety divides itfelf, is the fixed capital ; of which the characteriftic is, that it affords a revenue or profit without circulating or changing mafters. It confifts chiefly of the four following articles.

Firft, of all ufeful machines and inftruments of trade which facilitate and abridge labor :

Secondly, of all thofe profitable buildings which are the means of procuring a revenue, not only to their proprietor who lets them for a rent, but to the perfon who poffeffes them and pays that rent for them ; fuch as fhops, warehoufes, workhoufes, farmhoufes, with all their neceffary buildings ; ftables, granaries, &c. Thefe are very different from mere dwelling houfes. They are a fort of inftruments of trade, and may be confidered in the fame light.

Thirdly, of the improvements of land, of what has been profitably laid out in clearing, draining, enclofing, manuring, and reducing it into the condition moft proper for tillage and culture. An improved farm may very juftly be regarded in the fame light as thofe ufeful machines which facilitate

and abridge labor, and by means of which, an equal circulating capital can afford a much greater revenue to its employer. An improved farm is equally advantageous and more durable than any of thofe machines, frequently requiring no other repairs than the moft profitable application of the farmer's capital employed in cultivating it:

Fourthly, of the acquired and ufeful abilities of all the inhabitants or members of the fociety. The acquifition of fuch talents, by the maintenance of the acquirer during his education, ftudy, or apprenticefhip, always cofts a real expenfe, which is a capital fixed and realized, as it were, in his perfon. Thofe talents, as they make a part of his fortune, fo do they likewife of that of the fociety to which he belongs. The improved dexterity of a workman may be confidered in the fame light as a machine or inftrument of trade which facilitates and abridges labor, and which, though it cofts a certain expenfe, repays that expenfe with a profit.

The Third and laft of the three portions into which the general ftock of the fociety naturally divides itfelf, is the circulating capital; of which the characteriftic is, that it affords a revenue only by circulating or changing mafters. It is compofed likewife of four parts:

Firft, of the money by means of which all the other three are circulated and diftributed to their proper confumers:

Secondly, of the ftock of provifions which are in the poffeffion of the butcher, the grazier, the farmer, the corn-merchant, the brewer, &c. and

from the ſale of which they expect to derive a profit:

Thirdly, of the materials, whether altogether rude, or more or leſs manufactured, of clothes, furniture, and building, which are not yet made up into any of thoſe three ſhapes, but which remain in the hands of the growers, the manufacturers, the mercers and drapers, the timber-merchants, the carpenters and joiners, the brick-makers, &c.

Fourthly, and laſtly, of the work which is made up and compleated, but which is ſtill in the hands of the merchant or manufacturer, and not yet diſpoſed of, or diſtributed to the proper conſumers; ſuch as the finiſhed work which we frequently find ready-made in the ſhops of the ſmith, the cabinet-maker, the goldſmith, the jeweller, the china-merchant, &c. The circulating capital conſiſts in this manner, of the proviſions, materials, and finiſhed work of all kinds that are in the hands of their reſpective dealers, and of the money that is neceſſary for circulating and diſtributing them to thoſe who are finally to uſe, or to conſume them.

Of theſe four parts three, proviſions, materials, and finiſhed work, are, either annually, or in a longer or ſhorter period, regularly withdrawn from it, and placed either in the fixed capital or in the ſtock reſerved for immediate conſumption.

Every fixed capital is both originally derived from, and requires to be continually ſupported by a circulating capital. All uſeful machines

and inftruments of trade are originally derived from a circulating capital, which furnifhes the materials of which they are made, and the maintenance of the workmen who make them. They require too a capital of the fame kind to keep them in conftant repair.

No fixed capital can yield any revenue but by means of a circulating capital. The moft ufeful machines and inftruments of trade will produce nothing without the circulating capital which affords the materials they are employed upon, and the maintenance of the workmen who employ them. Land, however improved, will yield no revenue without a circulating capital, which maintains the laborers who cultivate and collect its produce.

To maintain and augment the ftock which may be referved for immediate confumption, is the fole end and purpofe both of the fixed and circulating capitals. It is this ftock which feeds, clothes, and lodges the people. Their riches or poverty depends upon the abundant or fparing fupplies which thofe two capitals can afford to the ftock referved for immediate confumption.

So great a part of the circulating capital being continually withdrawn from it, in order to be placed in the other two branches of the general ftock of the fociety; it muft in its turn require continual fupplies, without which it would foon ceafe to exift. Thefe fupplies are principally drawn from three fources, the produce of land, of mines, and of fifheries. Thefe afford continual fupplies of provifions and materials, of which part is afterwards

wrought up into finiſhed work, and by which are replaced the proviſions, materials, and finiſhed work continually withdrawn from the circulating capital. From mines too is drawn what is neceſſary for maintaining and augmenting that part of it which conſiſts in money. For though, in the ordinary courſe of buſineſs, this part is not, like the other three, neceſſarily withdrawn from it, in order to be placed in the other two branches of the general ſtock of the ſociety, it muſt, however, like all other things, be waſted and worn out at laſt, and ſometimes too be either loſt or ſent abroad, and muſt, therefore, require continual, though, no doubt, much ſmaller ſupplies.

Land, mines, and fiſheries, require all both a fixed and a circulating capital to cultivate them; and their produce replaces with a profit, not only thoſe capitals, but all the others in the ſociety. Thus the farmer annually replaces to the manufacturer the proviſions which he had conſumed and the materials which he had wrought up the year before; and the manufacturer replaces to the farmer the finiſhed work which he had waſted and worn out in the ſame time. This is the real exchange that is annually made between thoſe two orders of people, though it ſeldom happens that the rude produce of the one and the manufactured produce of the other, are directly bartered for one another; becauſe it ſeldom happens that the farmer ſells his corn and his cattle, his flax and his wool, to the very ſame perſon of whom he chuſes to purchaſe the

clothes, furniture, and inftruments of trade which he wants. He fells, therefore, his rude produce for money, with which he can purchafe, where-ever it is to be had, the manufactured produce he has occafion for. Land even replaces, in part at leaft, the capitals with which fifheries and mines are cultivated. It is the produce of land which draws the fifh from the waters; and it is the produce of the furface of the earth which extracts the minerals from its bowels.

The produce of land, mines, and fifheries, when their natural fertility is equal, is in proportion to the extent and proper application of the capitals employed about them. When the capitals are equal and equally well applied, it is in proportion to their natural fertility.

In all countries where there is tolerable fecurity, every man of common underftanding will endeavour to employ whatever ftock he can command in procuring either prefent enjoyment or future profit. If it is employed in procuring prefent enjoyment, it is a ftock referved for immediate confumption. If it is employed in procuring future profit, it muft procure this profit either by ftaying with him, or by going from him. In the one cafe it is a fixed, in the other it is a circulating capital. A man muft be perfectly crazy who, where there is tolerable fecurity, does not employ all the ftock which he commands, whether it be his own or borrowed of other people, in fome one or other of thofe three ways.

In thofe unfortunate countries, indeed, where men are continually afraid of the violence of their fuperiors, they frequently bury and conceal a great part of their ftock, in order to have it always at hand to carry with them to fome place of fafety, in cafe of their being threatened with any of thofe difafters to which they confider themfelves as at all times expofed. This is faid to be a common practice in Turkey, in Indoftan, and, I believe, in moft other governments of Afia. It feems to have been a common practice among our anceftors during the violence of the feudal government. Treafure-trove was in thofe times confidered as no contemptible part of the revenue of the greateft fovereigns in Europe. It confifted in fuch treafure as was found concealed in the earth, and to which no particular perfon could prove any right. This was regarded in thofe times as fo important an object, that it was always confidered as belonging to the fovereign, and neither to the finder nor to the proprietor of the land, unlefs the right to it had been conveyed to the latter by an exprefs claufe in his charter. It was put upon the fame footing with gold and filver mines, which, without a fpecial claufe in the charter, were never fuppofed to be comprehended in the general grant of the lands, though mines of lead, copper, tin, and coal were, as things of fmaller confequence.

CHAP.

CHAP. II.

Of Money considered as a particular Branch of the general Stock of the Society, or of the Expense of maintaining the National Capital.

IT has been ſhown in the firſt Book, that the price of the greater part of commodities reſolves itſelf into three parts, of which one pays the wages of the labor, another the profits of the ſtock, and a third the rent of the land which had been employed in producing and bringing them to market: that there are, indeed, ſome commodities of which the price is made up of two of thoſe parts only, the wages of labor, and the profits of ſtock: and a very few in which it conſiſts altogether in one, the wages of labor: but that the price of every commodity neceſſarily reſolves itſelf into ſome one, or other, or all of theſe three parts; every part of it which goes neither to rent nor to wages, being neceſſarily profit to ſomebody.

Since this is the caſe, it has been obſerved, with regard to every particular commodity, taken ſeparately; it muſt be ſo with regard to all the commodities which compoſe the whole annual produce of the land and labor of every country, taken complexly. The whole price or exchangeable value of that annual produce, muſt reſolve itſelf into the ſame three parts, and be parcelled out among the different inhabitants of

the country, either as the wages of their labor, the profits of their ſtock, or the rent of their land.

But though the whole value of the annual produce of the land and labor of every country is thus divided among and conſtitutes a revenue to its different inhabitants, yet as in the rent of a private eſtate we diſtinguiſh between the groſs rent and the neat rent, ſo may we likewiſe in the revenue of all the inhabitants of a great country.

The groſs rent of a private eſtate comprehends whatever is paid by the farmer; the neat rent, what remains free to the landlord, after deducting the expenſe of management, of repairs, and all other neceſſary charges; or what, without hurting his eſtate, he can afford to place in his ſtock reſerved for immediate conſumption, or to ſpend upon his table, equipage, the ornaments of his houſe and furniture, his private enjoyments and amuſements. His real wealth is in proportion, not to his groſs, but to his neat rent.

The groſs revenue of all the inhabitants of a great country, comprehends the whole annual produce of their land and labor; the neat revenue, what remains free to them after deducting the expenſe of maintaining; firſt, their fixed; and, ſecondly, their circulating capital; or what, without encroaching upon their capital, they can place in their ſtock reſerved for immediate conſumption, or ſpend upon their ſubſiſtence, conveniencies, and amuſements. Their real wealth

too is in proportion, not to their grofs, but to their neat revenue.

The whole expenfe of maintaining the fixed capital, muft evidently be excluded from the neat revenue of the fociety. Neither the materials neceffary for fupporting their ufeful machines and inftruments of trade, their profitable buildings, &c. nor the produce of the labor neceffary for fafhioning thofe materials into the proper form, can ever make any part of it. The price of that labor may indeed make a part of it; as the workmen fo employed may place the whole value of their wages in their ftock referved for immediate confumption. But in other forts of labor, both the price and the produce go to this ftock, the price to that of the workmen, the produce to that of other people, whofe fubfiftence, conveniencies, and amufements, are augmented by the labor of thofe workmen.

The intention of the fixed capital is to increafe the productive powers of labor, or to enable the fame number of laborers to perform a much greater quantity of work. In a farm where all the neceffary buildings, fences, drains, communications, &c. are in the moft perfect good order, the fame number of laborers and laboring cattle will raife a much greater produce, than in one of equal extent and equally good ground, but not furnifhed with equal conveniencies. In manufactures the fame number of hands, affifted with the beft machinery, will work up a much greater quantity of goods than with more imperfect inftruments of trade. The expenfe which is properly laid out upon a fixed

capital of any kind, is always repaid with great profit, and increafes the annual produce by a much greater value than that of the fupport which fuch improvements require. This fupport, however, ftill requires a certain portion of that produce. A certain quantity of materials, and the labor of a certain number of workmen, both of which might have been immediately employed to augment the food, clothing and lodging, the fubfiftence and conveniencies of the fociety, are thus diverted to another employment, highly advantageous indeed, but ftill different from this one. It is upon this account that all fuch improvements in mechanics, as enable the fame number of workmen to perform an equal quantity of work, with cheaper and fimpler machinery than had been ufual before, are always regarded as advantageous to every fociety. A certain quantity of materials, and the labor of a certain number of workmen, which had before been employed in fupporting a more complex and expenfive machinery, can afterwards be applied to augment the quantity of work which that or any other machinery is ufeful only for performing. The undertaker of fome great manufactory who employs a thoufand a-year in the maintenance of his machinery, if he can reduce this expenfe to five hundred, will naturally employ the other five hundred in purchafing an additional quantity of materials to be wrought up by an additional number of workmen. The quantity of that work, therefore, which his machinery was ufeful only for performing, will naturally be augmented, and with

it all the advantage and conveniency which the ſociety can derive from that work.

The expenſe of maintaining the fixed capital in a great country, may very properly be compared to that of repairs in a private eſtate. The expenſe of repairs may frequently be neceſſary for ſupporting the produce of the eſtate, and conſequently both the groſs and the neat rent of the landlord. When by a more proper direction, however, it can be diminiſhed without occaſioning any diminution of produce, the groſs rent remains at leaſt the ſame as before, and the neat rent is neceſſarily augmented.

But though the whole expenſe of maintaining the fixed capital is thus neceſſarily excluded from the neat revenue of the ſociety, it is not the ſame caſe with that of maintaining the circulating capital. Of the four parts of which this latter capital is compoſed, money, proviſions, materials, and finiſhed work, the three laſt, it has already been obſerved, are regularly withdrawn from it, and placed either in the fixed capital of the ſociety, or in their ſtock reſerved for immediate conſumption. Whatever portion of thoſe conſumable goods is not employed in maintaining the former, goes all to the latter, and makes a part of the neat revenue of the ſociety. The maintenance of thoſe three parts of the circulating capital, therefore, withdraws no portion of the annual produce from the neat revenue of the ſociety, beſides what is neceſſary for maintaining the fixed capital.

The circulating capital of a ſociety is in this reſpect different from that of an individual. That of an individual is totally excluded from making any part of his neat revenue, which muſt conſiſt altogether in his profits. But though the circulating capital of every individual makes a part of that of the ſociety to which he belongs, it is not upon that account totally excluded from making a part likewiſe of their neat revenue. Though the whole goods in a merchant's ſhop muſt by no means be placed in his own ſtock reſerved for immediate conſumption, they may in that of other people, who, from a revenue derived from other funds, may regularly replace their value to him, together with its profits, without occaſioning any diminution either of his capital or of theirs.

Money, therefore, is the only part of the circulating capital of a ſociety, of which the maintenance can occaſion any diminution in their neat revenue.

The fixed capital, and that part of the circulating capital which conſiſts in money, ſo far as they affect the revenue of the ſociety, bear a very great reſemblance to one another.

Firſt, as thoſe machines and inſtruments of trade, &c. require a certain expenſe, firſt to erect them, and afterwards to ſupport them, both which expenſes, though they make a part of the groſs, are deductions from the neat revenue of the ſociety; ſo the ſtock of money which circulates in any country muſt require a certain expenſe, firſt to collect it, and afterwards to ſupport

it, both which expenſes, though they make a part of the groſs, are, in the ſame manner, deductions from the neat revenue of the ſociety. A certain quantity of very valuable materials, gold and ſilver, and of very curious labor, inſtead of augmenting the ſtock reſerved for immediate conſumption, the ſubſiſtence, conveniencies, and amuſements of individuals, is employed in ſupporting that great but expenſive inſtrument of commerce, by means of which every individual in the ſociety has his ſubſiſtence, conveniencies, and amuſements, regularly diſtributed to him in their proper proportions.

Secondly, as the machines and inſtruments of trade, &c. which compoſe the fixed capital either of an individual or of a ſociety, make no part either of the groſs or of the neat revenue of either; ſo money, by means of which the whole revenue of the ſociety is regularly diſtributed among all its different members, makes itſelf no part of that revenue. The great wheel of circulation is altogether different from the goods which are circulated by means of it. The revenue of the ſociety conſiſts altogether in thoſe goods, and not in the wheel which circulates them. In computing either the groſs or neat revenue of any ſociety, we muſt always, from their whole annual circulation of money and goods, deduct the whole value of the money, of which not a ſingle farthing can ever make any part of either.

It is the ambiguity of language only which can make this propoſition appear either doubtful

or paradoxical. When properly explained and underſtood, it is almoſt ſelf-evident.

When we talk of any particular ſum of money, we ſometimes mean nothing but the metal pieces of which it is compoſed; and ſometimes we include in our meaning ſome obſcure reference to the goods which can be had in exchange for it, or to the power of purchaſing which the poſſeſſion of it conveys. Thus when we ſay, that the circulating money of England has been computed at eighteen millions, we mean only to expreſs the amount of the metal pieces, which ſome writers have computed, or rather have ſuppoſed to circulate in that country. But when we ſay that a man is worth fifty or a hundred pounds a year, we mean commonly to expreſs not only the amount of the metal pieces which are annually paid to him, but the value of the goods which he can annually purchaſe or conſume. We mean commonly to aſcertain what is or ought to be his way of living, or the quantity and quality of the neceſſaries and conveniencies of life in which he can with propriety indulge himſelf.

When, by any particular ſum of money, we mean not only to expreſs the amount of the metal pieces of which it is compoſed, but to include in its ſignification ſome obſcure reference to the goods which can be had in exchange for them, the wealth or revenue which it in this caſe denotes, is equal only to one of the two values which are thus intimated ſomewhat ambiguouſly by the ſame word, and to the latter more properly than to the former, to the money's worth more properly than to the money.

Thus if a guinea be the weekly penſion of a particular perſon, he can in the courſe of the week purchaſe with it a certain quantity of ſubſiſtence, conveniencies, and amuſements. In proportion as this quantity is great or ſmall, ſo are his real riches, his real weekly revenue. His weekly revenue is certainly not equal both to the guinea, and to what can be purchaſed with it, but only to one or other of thoſe two equal values; and to the latter more properly than to the former, to the guinea's worth rather than to the guinea.

If the penſion of ſuch a perſon was paid to him, not in gold, but in a weekly bill for a guinea, his revenue ſurely would not ſo properly conſiſt in the piece of paper, as in what he could get for it. A guinea may be conſidered as a bill for a certain quantity of neceſſaries and conveniencies upon all the tradeſmen in the neighbourhood. The revenue of the perſon to whom it is paid, does not ſo properly conſiſt in the piece of gold, as in what he can get for it, or in what he can exchange it for. If it could be exchanged for nothing, it would, like a bill upon a bankrupt, be of no more value than the moſt uſeleſs piece of paper.

Though the weekly, or yearly revenue of all the different inhabitants of any country, in the ſame manner, may be, and in reality frequently is paid to them in money, their real riches, however, the real weekly or yearly revenue of all of them taken together, muſt always be great or ſmall in proportion to the quantity of conſumable goods

which they can all of them purchafe with this money. The whole revenue of all of them taken together is evidently not equal to both the money and the confumable goods; but only to one or other of thofe two values, and to the latter more properly than to the former.

Though we frequently, therefore, exprefs a perfon's revenue by the metal pieces which are annually paid to him, it is becaufe the amount of thofe pieces regulates the extent of his power of purchafing, or the value of the goods which he can annually afford to confume. We ftill confider his revenue as confifting in this power of purchaf-ing or confuming, and not in the pieces which convey it.

But if this is fufficiently evident even with regard to an individual, it is ftill more fo with regard to a fociety. The amount of the metal pie-ces which are annually paid to an individual, is often precifely equal to his revenue, and is upon that account the fhorteft and beft expreffion of its value. But the amount of the metal pieces which circulate in a fociety, can never be equal to the revenue of all its members. As the fame guinea which pays the weekly penfion of one man to-day, may pay that of another to-morrow, and that of a third the day thereafter, the amount of the metal pieces which annually circulate in any country, muft always be of much lefs value than the whole money penfions annually paid with them. But the power of purchafing, or the goods which can fuccef-fively be bought with the whole of thofe money

penfions as they are fucceffively paid, muft always be precifely of the fame value with thofe penfions; as muft likewife be the revenue of the different perfons to whom they are paid. That revenue, therefore, cannot confift in thofe metal pieces, of which the amount is fo much inferior to its value, but in the power of purchafing, in the goods which can fucceffively be bought with them as they circulate from hand to hand.

Money, therefore, the great wheel of circulation, the great inftrument of commerce, like all other inftruments of trade, though it makes a part and a very valuable part of the capital, makes no part of the revenue of the fociety to which it belongs; and though the metal pieces of which it is compofed, in the courfe of their annual circulation, diftribute to every man the revenue which properly belongs to him, they make themfelves no part of that revenue.

Thirdly, and laftly, the machines and inftruments of trade, &c. which compofe the fixed capital, bear this further refemblance to that part of the circulating capital which confifts in money; that as every faving in the expenfe of erecting and fupporting thofe machines, which does not diminifh the productive powers of labor, is an improvement of the neat revenue of the fociety; fo every faving in the expenfe of collecting and fupporting that part of the circulating capital which confifts in money, is an improvement of exactly the fame kind.

It is fufficiently obvious, and it has partly too been explained already, in what manner every faving in the expenfe of fupporting the fixed capital

is an improvement of the neat revenue of the fociety. The whole capital of the undertaker of every work is neceffarily divided between his fixed and his circulating capital. While his whole capital remains the fame, the fmaller the one part, the greater muft neceffarily be the other. It is the circulating capital which furnifhes the materials and wages of labor, and puts induftry into motion. Every faving, therefore, in the expenfe of maintaining the fixed capital, which does not diminifh the productive powers of labor, muft increafe the fund which puts induftry into motion, and confequently the annual produce of land and labor, the real revenue of every fociety.

The fubftitution of paper in the room of gold and filver money, replaces a very expenfive inftrument of commerce with one much lefs coftly, and fometimes equally convenient. Circulation comes to be carried on by a new wheel, which it cofts lefs both to erect and to maintain than the old one. But in what manner this operation is performed, and in what manner it tends to increafe either the grofs or the neat revenue of the fociety, is not altogether fo obvious, and may therefore require fome further explication.

There are feveral different forts of paper money; but the circulating notes of banks and bankers are the fpecies which is beft known, and which feems beft adapted for this purpofe.

When the people of any particular country have fuch confidence in the fortune, probity, and prudence of a particular banker, as to believe that

he is always ready to pay upon demand ſuch of his promiſſory notes as are likely to be at any time preſented to him; thoſe notes come to have the ſame currency as gold and ſilver money, from the confidence that ſuch money can at any time be had for them.

A particular banker lends among his cuſtomers his own promiſſory notes, to the extent, we ſhall ſuppoſe, of a hundred thouſand pounds. As thoſe notes ſerve all the purpoſes of money, his debtors pay him the ſame intereſt as if he had lent them ſo much money. This intereſt is the ſource of his gain. Though ſome of thoſe notes are continually coming back upon him for payment, part of them continue to circulate for months and years together. Though he has generally in circulation, therefore, notes to the extent of a hundred thouſand pounds, twenty thouſand pounds in gold and ſilver may, frequently be a ſufficient proviſion for anſwering occaſional demands. By this operation, therefore, twenty thouſand pounds in gold and ſilver perform all the functions which a hundred thouſand could otherwiſe have performed. The ſame exchanges may be made, the ſame quantity of conſumable goods may be circulated and diſtributed to their proper conſumers, by means of his promiſſory notes, to the value of a hundred thouſand pounds, as by an equal value of gold and ſilver money. Eighty thouſand pounds of gold and ſilver, therefore, can, in this manner, be ſpared from the circulation of the country; and if different operations of the ſame kind ſhould, at the ſame

time, be carried on by many different banks and bankers, the whole circulation may thus be conducted with a fifth part only of the gold and ſilver which would otherwiſe have been requiſite.

Let us ſuppoſe, for example, that the whole circulating money of ſome particular country amounted, at a particular time, to one million ſterling, that ſum being then ſufficient for circulating the whole annual produce of their land and labor. Let us ſuppoſe too, that ſome time thereafter, different banks and bankers iſſued promiſſory notes, payable to the bearer, to the extent of one million, reſerving in their different coffers two hundred thouſand pounds for anſwering occaſional demands. There would remain, therefore, in circulation, eight hundred thouſand pounds in gold and ſilver, and a million of bank notes, or eighteen hundred thouſand pounds of paper and money together. But the annual produce of the land and labor of the country had before required only one million to circulate and diſtribute it to its proper conſumers, and that annual produce cannot be immediately augmented by thoſe operations of banking. One million, therefore, will be ſufficient to circulate it after them. The goods to be bought and ſold being preciſely the ſame as before, the ſame quantity of money will be ſufficient for buying and ſelling them. The channel of circulation, if I may be allowed ſuch an expreſſion, will remain preciſely the ſame as before. One million we have ſuppoſed ſufficient to fill that channel. Whatever, therefore, is poured

into it beyond this ſum, cannot run in it, but muſt overflow. One million eight hundred thouſand pounds are poured into it. Eight hundred thouſand pounds, therefore, muſt overflow, that ſum being over and above what can be employed in the circulation of the country. But though this ſum cannot be employed at home, it is too valuable to be allowed to lie idle. It will, therefore, be ſent abroad, in order to ſeek that profitable employment which it cannot find at home. But the paper cannot go abroad; becauſe at a diſtance from the banks which iſſue it, and from the country in which payment of it can be exacted by law, it will not be received in common payments. Gold and ſilver, therefore, to the amount of eight hundred thouſand pounds will be ſent abroad, and the channel of home circulation will remain filled with a million of paper, inſtead of the million of thoſe metals which filled it before.

But though ſo great a quantity of gold and ſilver is thus ſent abroad, we muſt not imagine that it is ſent abroad for nothing, or that its proprietors make a preſent of it to foreign nations. They will exchange it for foreign goods of ſome kind or another, in order to ſupply the conſumption either of ſome other foreign country, or of their own.

If they employ it in purchaſing goods in one foreign country in order to ſupply the conſumption of another, or in what is called the carrying trade, whatever profit they make will be an addition to

the neat revenue of their own country. It is like a new fund, created for carrying on a new trade; domeſtic buſineſs being now tranſacted by paper, and the gold and ſilver being converted into a fund for this new trade.

If they employ it in purchaſing foreign goods for home conſumption, they may either, firſt, purchaſe ſuch goods as are likely to be conſumed by idle people who produce nothing, ſuch as foreign wines, foreign ſilks, &c.; or, ſecondly, they may purchaſe an additional ſtock of materials, tools, and proviſions, in order to maintain and employ an additional number of induſtrious people, who re-produce, with a profit, the value of their annual conſumption.

So far as it is employed in the firſt way, it promotes prodigality, increaſes expenſe and conſumption without increaſing production, or eſtabliſhing any permanent fund for ſupporting that expenſe, and is in every reſpect hurtful to the ſociety.

So far as it is employed in the ſecond way, it promotes induſtry; and though it increaſes the conſumption of the ſociety, it provides a permanent fund for ſupporting that conſumption, the people who conſume re-producing, with a profit, the whole value of their annual conſumption. The groſs revenue of the ſociety, the annual produce of their land and labor, is increaſed by the whole value which the labor of thoſe workmen adds to the materials upon which they are employed; and their neat revenue by what remains of this value, after deducting what is

neceſſary

neceſſary for ſupporting the tools and inſtruments of their trade.

That the greater part of the gold and ſilver which, being forced abroad by thoſe operations of banking, is employed in purchaſing foreign goods for home conſumption, is and muſt be employed in purchaſing thoſe of its ſecond kind, ſeems not only probable but almoſt unavoidable. Though ſome particular men may ſometimes increaſe their expenſe very conſiderably though their revenue does not increaſe at all, we may be aſſured that no claſs or order of men ever does ſo; becauſe, though the principles of common prudence do not always govern the conduct of every individual, they always influence that of the majority of every claſs or order. But the revenue of idle people, conſidered as a claſs or order, cannot, in the ſmalleſt degree, be increaſed by thoſe operations of banking. Their expenſe in general, therefore, cannot be much increaſed by them, though that of a few individuals among them may, and in reality ſometimes is. The demand of idle people, therefore, for foreign goods, being the ſame, or very nearly the ſame, as before, a very ſmall part of the money, which being forced abroad by thoſe operations of banking, is employed in purchaſing foreign goods for home conſumption, is likely to be employed in purchaſing thoſe for their uſe. The greater part of it will naturally be deſtined for the employment of induſtry, and not for the maintenance of idleneſs.

When we compute the quantity of induftry which the circulating capital of any fociety can employ, we muft always have regard to thofe parts of it only, which confift in provifions, materials, and finifhed work, the other, which confifts in money, and which ferves only to circulate thofe three, muft always be deducted. In order to put induftry into motion, three things are requifite; materials to work upon, tools to work with, and the wages or recompence for the fake of which the work is done. Money is neither a material to work upon, nor a tool to work with; and though the wages of the workman are commonly paid to him in money, his real revenue, like that of all other men, confifts, not in the money, but in the money's worth; not in the metal pieces, but in what can be got for them.

The quantity of induftry which any capital can employ, muft, evidently, be equal to the number of workmen whom it can fupply with materials, tools, and a maintenance fuitable to the nature of the work. Money may be requifite for purchafing the materials and tools of the work, as well as the maintenance of the workmen. But the quantity of induftry which the whole capital can employ, is certainly not equal both to the money which purchafes, and to the materials, tools, and maintenance, which are purchafed with it; but only to one or other of thofe two values, and to the latter more properly than to the former.

When paper is ſubſtituted in the room of gold and ſilver money, the quantity of the materials, tools and maintenance, which the whole circulating capital can ſupply, may be increaſed by the whole value of gold and ſilver which uſed to be employed in purchaſing them. The whole value of the great wheel of circulation and diſtribution, is added to the goods which are circulated and diſtributed by means of it. The operation, in ſome meaſure, reſembles that of the undertaker of ſome great work, who, in conſequence of ſome improvement in mechanics, takes down his old machinery, and adds the difference between its price and that of the new to his circulating capital, to the fund from which he furniſhes materials and wages to his workmen.

What is the proportion which the circulating money of any country bears to the whole value of the annual produce circulated by means of it, it is, perhaps, impoſſible to determine. It has been computed by different authors at a fifth, at a tenth, at a twentieth, and at a thirtieth part of that value. But how ſmall ſoever the proportion which the circulating money may bear to the whole value of the annual produce, as but a part, and frequently but a ſmall part, of that produce, is ever deſtined for the maintenance of induſtry, it muſt always bear a very conſiderable proportion to that part. When, therefore, by the ſubſtitution of paper, the gold and ſilver neceſſary for circulation is reduced to perhaps, a fifth part of the former quantity, if the value of only the greater part of the other four-fifths

be added to the funds which are deſtined for the maintenance of induſtry, it muſt make a very conſiderable addition to the quantity of that induſtry, and conſequently, to the value of the annual produce of land and labor.

An operation of this kind has, within theſe five-and-twenty or thirty years, been performed in Scotland, by the erection of new banking companies in almoſt every conſiderable town, and even in ſome country villages. The effects of it have been preciſely thoſe above deſcribed. The buſineſs of the country is almoſt entirely carried on by means of the paper of thoſe different banking companies, with which purchaſes and payments of all kinds are commonly made. Silver very ſeldom appears except in the change of a twenty ſhillings bank note, and gold ſtill ſeldomer. But though the conduct of all thoſe different companies has not been unexceptionable, and has accordingly required an act of parliament to regulate it; the country, notwithſtanding, has evidently derived great benefit from their trade. I have heard it aſſerted, that the trade of the city of Glaſgow doubled in about fifteen years after the firſt erection of the banks there; and that the trade of Scotland has more than quadrupled ſince the firſt erection of the two public banks at Edinburgh, of which the one, called The Bank of Scotland, was eſtabliſhed by act of parliament in 1695; the other, called The Royal Bank, by royal charter in 1727. Whether the trade, either of Scotland in general, or of the city of Glaſgow in

particular, has really increafed in fo great a proportion, during fo fhort a period, I do not pretend to know. If either of them has increafed in this proportion, it feems to be an effect too great to be accounted for by the fole operation of this caufe. That the trade and induftry of Scotland, however, have increafed very confiderably during this period, and that the banks have contributed a good deal to this increafe, cannot be doubted.

The value of the filver money which circulated in Scotland before the union, in 1707, and which, immediately after it, was brought into the bank of Scotland in order to be re-coined, amounted to 411,117 *l.* 10 *s.* 9 *d.* fterling. No account has been got of the gold coin; but it appears from the ancient accounts of the mint of Scotland, that the value of the gold annually coined fomewhat exceeded that of the filver *. There were a good many people too upon this occafion, who, from a diffidence of repayment, did not bring their filver into the bank of Scotland: and there was, befides, fome Englifh coin, which was not called in. The whole value of the gold and filver, therefore, which circulated in Scotland before the union, cannot be eftimated at lefs than a million fterling. It feems to have conftituted almoft the whole circulation of that country; for though the circulation of the bank of Scotland, which had then no rival, was confiderable, it feems to have made but a very fmall part of the whole. In the prefent times

* See Ruddiman's Preface to Anderfon's Diplomata, &c. Scotiæ.

the whole circulation of Scotland cannot be eftimated at lefs than two millions, of which that part which confifts in gold and filver, moft probably, does not amount to half a million. But though the circulating gold and filver of Scotland have fuffered fo great a diminution during this period, its real riches and profperity do not appear to have fuffered any. Its agriculture, manufactures, and trade, on the contrary, the annual produce of its land and labor, have evidently been augmented.

It is chiefly by difcounting bills of exchange, that is, by advancing money upon them before they are due, that the greater part of banks and bankers iffue their promiffory notes. They deduct always, upon whatever fum they advance, the legal intereft till the bill fhall become due. The payment of the bill, when it becomes due, replaces to the bank the value of what had been advanced, together with a clear profit of the intereft. The banker who advances to the merchant whofe bill he difcounts, not gold and filver, but his own promiffory notes, has the advantage of being able to difcount to a greater amount, by the whole value of his promiffory notes, which he finds by experience, are commonly in circulation. He is thereby enabled to make his clear gain of intereft on fo much a larger fum.

The commerce of Scotland, which at prefent is not very great, was ftill more inconfiderable when the two firft banking companies were eftablifhed; and thofe companies would have had but little trade, had they confined their bufinefs

to the difcounting of bills of exchange. They invented, therefore, another method of iffuing their promiffory notes; by granting, what they called, cafh accounts, that is by giving credit to the extent of a certain fum (two or three thoufand pounds, for example), to any individual who could procure two perfons of undoubted credit and good landed eftate to become furety for him, that whatever money fhould be advanced to him, within the fum for which the credit had been given, fhould be repaid upon demand, together with the legal intereft. Credits of this kind are, I believe, commonly granted by banks and bankers in all different parts of the world. But the eafy terms upon which the Scotch banking companies accept of re-payment are, fo far as I know, peculiar to them, and have, perhaps, been the principal caufe, both of the great trade of thofe companies, and of the benefit which the country has received from it.

Whoever has a credit of this kind with one of thofe companies, and borrows a thoufand pounds upon it, for example, may repay this fum piece-meal, by twenty and thirty pounds at a time, the company difcounting a proportionable part of the intereft of the great fum from the day on which each of thofe fmall fums is paid in, till the whole be in this manner repaid. All merchants, therefore, and almoft all men of bufinefs, find it convenient to keep fuch cafh accounts with them, and are thereby interefted to promote the trade of thofe companies, by readily receiving their notes in all payments,

and by encouraging all thofe with whom they have any influence to do the fame. The banks, when their cuftomers apply to them for money, generally advance it to them in their own promiffory notes. Thefe the merchants pay away to the manufacturers for goods, the manufacturers to the farmers for materials and provifions, the farmers to their landlords for rent, the landlords repay them to the merchants for the conveniencies and luxuries with which they fupply them, and the merchants again return them to the banks in order to balance their cafh accounts, or to replace what they may have borrowed of them; and thus almoft the whole money bufinefs of the country is tranfacted by means of them. Hence the great trade of thofe companies.

By means of thofe cafh accounts every merchant can, without imprudence, carry on a greater trade than he otherwife could do. If there are two merchants, one in London, and the other in Edinburgh, who employ equal ftocks in the fame branch of trade, the Edinburgh merchant can, without imprudence, carry on a greater trade, and give employment to a greater number of people than the London merchant. The London merchant muft always keep by him a confiderable fum of money, either in his own coffers, or in thofe of his banker, who gives him no intereft for it, in order to anfwer the demands continually coming upon him for payment of the goods which he purchafes upon credit. Let the ordinary amount of this fum be fuppofed five

hundred pounds. The value of the goods in his warehouſe muſt always be leſs by five hundred pounds than it would have been, had he not been obliged to keep ſuch a ſum unemployed. Let us ſuppoſe that he generally diſpoſes of his whole ſtock upon hand, or of goods to the value of his whole ſtock upon hand, once in the year. By being obliged to keep ſo great a ſum unemployed, he muſt ſell in a year five hundred pounds worth leſs goods than he might otherwiſe have done. His annual profits muſt be leſs by all that he could have made by the ſale of five hundred pounds worth more goods; and the number of people employed in preparing his goods for the market, muſt be leſs by all thoſe that five hundred pounds more ſtock could have employed. The merchant in Edinburgh, on the other hand, keeps no money unemployed for anſwering ſuch occaſional demands. When they actually come upon him, he ſatisfies them from his caſh account with the bank, and gradually replaces the ſum borrowed with the money or paper which comes in from the occaſional ſales of his goods. With the ſame ſtock, therefore, he can, without imprudence, have at all times in his warehouſe a larger quantity of goods than the London merchant; and can thereby both make a greater profit himſelf, and give conſtant employment to a greater number of induſtrious people who prepare thoſe goods for the market. Hence the great benefit which the country has derived from this trade.

The facility of difcounting bills of exchange, it may be thought indeed, gives the Englifh merchants a conveniency equivalent to the cafh accounts of the Scotch merchants. But the Scotch merchants, it muft be remembered, can difcount their bills of exchange as eafily as the Englifh merchants, and have, befides, the additional conveniency of their cafh accounts.

The whole paper money of every kind which can eafily circulate in any country never can exceed the value of the gold and filver, of which it fupplies the place, or which (the commerce being fuppofed the fame) would circulate there, if there was no paper money. If twenty fhilling notes, for example, are the loweft paper money current in Scotland, the whole of that currency which can eafily circulate there cannot exceed the fum of gold and filver which would be neceffary for tranfacting the annual exchanges of twenty fhillings value and upwards ufually tranfacted within that country. Should the circulating paper at any time exceed that fum, as the excefs could neither be fent abroad nor be employed in the circulation of the country, it muft immediately return upon the banks to be exchanged for gold and filver. Many people would immediately perceive that they had more of this paper than was neceffary for tranfacting their bufinefs at home, and as they could not fend it abroad, they would immediately demand payment of it from the banks. When this fuperfluous paper was converted into gold and filver, they could eafily find a ufe for it by fending it

abroad ; but they could find none while it remained in the ſhape of paper. There would immediately, therefore, be a run upon the banks to the whole extent of this ſuperfluous paper, and, if they ſhowed any difficulty or backwardneſs in payment, to a much greater extent; the alarm, which this would occaſion, neceſſarily increaſing the run.

Over and above the expenſes which are common to every branch of trade; ſuch as the expenſe of houſe-rent, the wages of ſervants, clerks, accountants, &c.; the expenſes peculiar to a bank conſiſt chiefly in two articles: Firſt, in the expenſe of keeping at all times in its coffers, for anſwering the occaſional demands of the holders of its notes, a large ſum of money, of which it loſes the intereſt: And, ſecondly, in the expenſe of repleniſhing thoſe coffers as faſt as they are emptied by anſwering ſuch occaſional demands.

A banking company, which iſſues more paper than can be employed in the circulation of the country, and of which the exceſs is continually returning upon them for payment, ought to increaſe the quantity of gold and ſilver, which they keep at all times in their coffers, not only in proportion to this exceſſive increaſe of their circulation, but in a much greater proportion; their notes returning upon them much faſter than in proportion to the exceſs of their quantity. Such a company, therefore, ought to increaſe the firſt article of their expenſe, not only

in proportion to this forced increafe of their bufinefs, but in a much greater proportion.

The coffers of fuch a company too, though they ought to be filled much fuller, yet muft empty themfelves much fafter than if their bufinefs was confined within more reafonable bounds, and muft require, not only a more violent, but a more conftant and uninterrupted exertion of expenfe in order to replenifh them. The coin too, which is thus continually drawn in fuch large quantities from their coffers, cannot be employed in the circulation of the country. It comes in place of a paper which is over and above what can be employed in that circulation, and is therefore over and above what can be employed in it too. But as that coin will not be allowed to lie idle, it muft, in one fhape or another, be fent abroad, in order to find that profitable employment which it cannot find at home; and this continual exportation of gold and filver, by enhancing the difficulty, muft neceffarily enhance ftill further the expenfe of the bank, in finding new gold and filver in order to replenifh thofe coffers, which empty themfelves fo very rapidly. Such a company, therefore, muft, in proportion to this forced increafe of their bufinefs, increafe the fecond article of their expenfe ftill more than the firft.

Let us fuppofe that all the paper of a particular bank, which the circulation of the country can eafily abforb and employ, amounts exactly to forty thoufand pounds; and that for anfwering

occaſional demands, this bank is obliged to keep at all times in its coffers ten thouſand pounds in gold and ſilver. Should this bank attempt to circulate forty-four thouſand pounds, the four thouſand pounds which are over and above what the circulation can eaſily abſorb and employ, will return upon it almoſt as faſt as they are iſſued. For anſwering occaſional demands, therefore, this bank ought to keep at all times in its coffers, not eleven thouſand pounds only, but fourteen thouſand pounds. It will thus gain nothing by the intereſt of the four thouſand pounds exceſſive circulation; and it will loſe the whole expenſe of continually collecting four thouſand pounds in gold and ſilver, which will be continually going out of its coffers as faſt as they are brought into them.

Had every particular banking company always underſtood and attended to its own particular intereſt, the circulation never could have been overſtocked with paper money. But every particular banking company has not always underſtood or attended to its own particular intereſt, and the circulation has frequently been overſtocked with paper money.

By iſſuing too great a quantity of paper, of which the exceſs was continually returning, in order to be exchanged for gold and ſilver, the bank of England was for many years together obliged to coin gold to the extent of between eight hundred thouſand pounds and a million a year; or at an average, about eight hundred and fifty thouſand pounds. For this great coinage

the bank (in consequence of the worn and degraded ſtate into which the gold coin had fallen a few years ago) was frequently obliged to purchaſe gold bullion at the high price of four pounds an ounce, which it ſoon after iſſued in coin at 3 *l.* 17 *s.* $10\frac{1}{2}$ *d.* an ounce, loſing in this manner between two and a half and three per cent. upon the coinage of ſo very large a ſum. Though the bank therefore paid no ſeignorage, though the government was properly at the expenſe of the coinage, this liberality of government did not prevent altogether the expenſe of the bank.

The Scotch banks, in conſequence of an exceſs of the ſame kind, were all obliged to employ conſtantly agents at London to collect money for them, at an expenſe which was ſeldom below one and a half or two per cent. This money was ſent down by the waggon, and inſured by the carriers at an additional expenſe of three quarters per cent. or fifteen ſhillings on the hundred pounds. Thoſe agents were not always able to repleniſh the coffers of their employers ſo faſt as they were emptied. In this caſe the reſource of the banks was, to draw upon their correſpondents in London bills of exchange to the extent of the ſum which they wanted. When thoſe correſpondents afterwards drew upon them for the payment of this ſum, together with the intereſt and a commiſſion, ſome of thoſe banks, from the diſtreſs into which their exceſſive circulation had thrown them, had ſometimes no other means of ſatisfying this draught but by

drawing a ſecond ſet of bills either upon the ſame, or upon ſome other correſpondents in London; and the ſame ſum, or rather bills for the ſame ſum, would in this manner make ſometimes more than two or three journies; the debtor, bank, paying always the intereſt and commiſſion upon the whole accumulated ſum. Even thoſe Scotch banks which never diſtinguiſhed themſelves by their extreme imprudence, were ſometimes obliged to employ this ruinous reſource.

The gold coin which was paid out either by the bank of England, or by the Scotch banks, in exchange for that part of their paper which was over and above what could be employed in the circulation of the country, being likewiſe over and above what could be employed in that circulation, was ſometimes ſent abroad in the ſhape of coin, ſometimes melted down and ſent abroad in the ſhape of bullion, and ſometimes melted down and ſold to the bank of England at the high price of four pounds an ounce. It was the neweſt, the heavieſt, and the beſt pieces only which were carefully picked out of the whole coin, and either ſent abroad or melted down. At home, and while they remained in the ſhape of coin, thoſe heavy pieces were of no more value than the light: But they were of more value abroad, or when melted down into bullion, at home. The bank of England, notwithſtanding their great annual coinage, found to their aſtoniſhment, that there was every year the ſame ſcarcity of coin as there had been the year before;

and that notwithſtanding the great quantity of good and new coin which was every year iſſued from the bank, the ſtate of the coin, inſtead of growing better and better, became every year worſe and worſe. Every year they found themſelves under the neceſſity of coining nearly the ſame quantity of gold as they had coined the year before, and from the continual riſe in the price of gold bullion, in conſequence of the continual wearing and clipping of the coin, the expenſe of this great annual coinage became every year greater and greater. The bank of England, it is to be obſerved, by ſupplying its own coffers with coin, is indirectly obliged to ſupply the whole kingdom, into which coin is continually flowing from thoſe coffers in a great variety of ways. Whatever coin therefore was wanted to ſupport this exceſſive circulation both of Scotch and Engliſh paper money, whatever vacuities this exceſſive circulation occaſioned in the neceſſary coin of the kingdom, the bank of England was obliged to ſupply them. The Scotch banks, no doubt, paid all of them very dearly for their own imprudence and inattention. But the bank of England paid very dearly, not only for its own imprudence, but for the much greater imprudence of almoſt all the Scotch banks.

The over-trading of ſome bold projectors in both parts of the united kingdom, was the original cauſe of this exceſſive circulation of paper money.

What a bank can with propriety advance to a merchant or undertaker of any kind, is not

either

either the whole capital with which he trades, or even any confiderable part of that capital; but that part of it only, which he would otherwife be obliged to keep by him unemployed, and in ready money for anfwering occafional demands. If the paper money which the bank advances never exceeds this value, it can never exceed the value of the gold and filver, which would neceffarily circulate in the country if there was no paper money; it can never exceed the quantity which the circulation of the country can eafily abforb and employ.

When a bank difcounts to a merchant a real bill of exchange drawn by a real creditor upon a real debtor, and which, as foon as it becomes due, is really paid by that debtor; it only advances to him a part of the value which he would otherwife be obliged to keep by him unemployed and in ready money for anfwering occafional demands. The payment of the bill, when it becomes due, replaces to the bank the value of what it had advanced, together with the intereft. The coffers of the bank, fo far as its dealings are confined to fuch cuftomers, refemble a water pond, from which, though a ftream is continually running out, yet another is continually running in, fully equal to that which runs out; fo that, without any further care or attention, the pond keeps always equally, or very near equally full. Little or no expenfe can ever be neceffary for replenifhing the coffers of fuch a bank.

A merchant, without over-trading, may frequently have occafion for a fum of ready money, even when he has no bills to difcount. When a bank, befides difcounting his bills, advances him likewife upon fuch occafions, fuch fums upon his cafh account, and accepts of a piece-meal repayment as the money comes in from the occafional fale of his goods, upon the eafy terms of the banking companies of Scotland; it difpenfes him entirely from the neceffity of keeping any part of his ftock by him unemployed and in ready money for anfwering occafional demands. When fuch demands actually come upon him, he can anfwer them fufficiently from his cafh account. The bank, however, in dealing with fuch cuftomers, ought to obferve with great attention, whether in the courfe of fome fhort period (of four, five, fix, or eight months, for example) the fum of the repayments which it commonly receives from them, is, or is not, fully equal to that of the advances which it commonly makes to them. If, within the courfe of fuch fhort periods, the fum of the repayments from certain cuftomers is, upon moft occafions, fully equal to that of the advances, it may fafely continue to deal with fuch cuftomers. Though the ftream which is in this cafe continually running out from its coffers may be very large, that which is continually running into them muft be at leaft equally large; fo that without any further care or attention thofe coffers are likely to be always equally or very near equally full; and

ſcarce ever to require any extraordinary expenſe to repleniſh them. If, on the contrary, the ſum of the repayments from certain other cuſtomers falls commonly very much ſhort of the advances which it makes to them, it cannot with any ſafety continue to deal with ſuch cuſtomers, at leaſt if they continue to deal with it in this manner. The ſtream which is in this caſe continually running out from its coffers is neceſſarily much larger than that which is continually running in; ſo that, unleſs they are repleniſhed by ſome great and continual effort of expenſe, thoſe coffers muſt ſoon be exhauſted altogether.

The banking companies of Scotland, accordingly, were for a long time very careful to require frequent and regular repayments from all their cuſtomers, and did not care to deal with any perſon, whatever might be his fortune or credit, who did not make, what they called, frequent and regular operations with them. By this attention, beſides ſaving almoſt entirely the extraordinary expenſe of repleniſhing their coffers, they gained two other very conſiderable advantages.

Firſt, by this attention they were enabled to make ſome tolerable judgment concerning the thriving or declining circumſtances of their debtors, without being obliged to look out for any other evidence beſides what their own books afforded them; men being for the moſt part either regular or irregular in their repayments according as their circumſtances are either thriving

or declining. A private man who lends out his money to perhaps half a dozen or a dozen of debtors, may, either by himſelf or his agents, obſerve and inquire both conſtantly and carefully into the conduct and ſituation of each of them. But a banking company, which lends money to perhaps five hundred different people, and of which the attention is continually occupied by objects of a very different kind, can have no regular information concerning the conduct and circumſtances of the greater part of its debtors beyond what its own books afford it. In requiring frequent and regular repayments from all their cuſtomers, the banking companies of Scotland had probably this advantage in view.

Secondly, by this attention they ſecured themſelves from the poſſibility of iſſuing more paper money than what the circulation of the country could eaſily abſorb and employ. When they obſerved, that within moderate periods of time the repayments of a particular cuſtomer were upon moſt occaſions fully equal to the advances which they had made to him, they might be aſſured that the paper money which they had advanced to him, had not at any time exceeded the quantity of gold and ſilver which he would otherwiſe have been obliged to keep by him for anſwering occaſional demands; and that, conſequently, the paper money, which they had circulated by his means, had not at any time exceeded the quantity of gold and ſilver which would have circulated in the country, had there been no paper money. The frequency, regularity

and amount of his repayments would sufficiently demonſtrate that the amount of their advances had at no time exceeded that part of his capital which he would otherwiſe have been obliged to keep by him unemployed and in ready money for anſwering occaſional demands ; that is , for the purpoſe of keeping the reſt of his capital in conſtant employment. It is this part of his capital only which , within moderate periods of time , is continually returning to every dealer in the ſhape of money , whether paper or coin , and continually going from him in the ſame ſhape. If the advances of the bank had commonly exceeded this part of his capital , the ordinary amount of his repayments could not , within moderate periods of time , have equalled the ordinary amount of its advances. The ſtream which , by means of his dealings , was continually running into the coffers of the bank , could not have been equal to the ſtream which , by means of the ſame dealings , was continually running out. The advances of the bank paper , by exceeding the quantity of gold and ſilver which , had there been no ſuch advances , he would have been obliged to keep by him for anſwering occaſional demands , might ſoon come to exceed the whole quantity of gold and ſilver which (the commerce being ſuppoſed the ſame) would have circulated in the country had there been no paper money ; and conſequently to exceed the quantity which the circulation of the country could eaſily abſorb and employ ; and the exceſs of this paper money would immediately

have returned upon the bank in order to be exchanged for gold and ſilver. This ſecond advantage, though equally real, was not perhaps ſo well underſtood by all the different banking companies of Scotland as the firſt.

When, partly by the conveniency of diſcounting bills, and partly by that of caſh accounts, the creditable traders of any country can be diſpenſed from the neceſſity of keeping any part of their ſtock by them unemployed and in ready money for anſwering occaſional demands, they can reaſonably expect no farther aſſiſtance from banks and bankers, who, when they have gone thus far, cannot, conſiſtently with their own intereſt and ſafety, go farther. A bank cannot, conſiſtently with its own intereſt, advance to a trader the whole or even the greater part of the circulating capital with which he trades; becauſe, though that capital is continually returning to him in the ſhape of money, and going from him in the ſame ſhape, yet the whole of the returns is too diſtant from the whole of the outgoings, and the ſum of his repayments could not equal the ſum of its advances within ſuch moderate periods of time as ſuit the conveniency of a bank. Still leſs could a bank afford to advance him any conſiderable part of his fixed capital; of the capital which the undertaker of an iron forge, for example, employs in erecting his forge and ſmelting-houſe, his work-houſes and warehouſes, the dwelling-houſes of his workmen, &c.; of the capital which the undertaker of a mine employs in ſinking his ſhafts, in erecting

engines for drawing out the water, in making roads and waggon-ways, &c.; of the capital which the perſon who undertakes to improve land employs in clearing, draining, encloſing, manuring and ploughing waſte and uncultivated fields, in building farm-houſes, with all their neceſſary appendages of ſtables, granaries, &c. The returns of the fixed capital are in almoſt all caſes much ſlower than thoſe of the circulating capital; and ſuch expenſes, even when laid out with the greateſt prudence and judgment, very ſeldom return to the undertaker till after a period of many years, a period by far too diſtant to ſuit the conveniency of a bank. Traders and other undertakers may, no doubt, with great propriety, carry on a very conſiderable part of their projects with borrowed money. In juſtice to their creditors, however, their own capital ought, in this caſe, to be ſufficient to enſure, if I may ſay ſo, the capital of thoſe creditors; or to render it extremely improbable that thoſe creditors ſhould incur any loſs, even though the ſucceſs of the project ſhould fall very much ſhort of the expectation of the projectors. Even with this precaution too, the money which is borrowed, and which it is meant ſhould not be repaid till after a period of ſeveral years, ought not to be borrowed of a bank, but ought to be borrowed upon bond or mortgage, of ſuch private people as propoſe to live upon the intereſt of their money, without taking the trouble themſelves to employ the capital; and who are upon that account willing to lend that capital to ſuch

people of good credit as are likely to keep it for ſeveral years. A bank, indeed, which lends its money without the expenſe of ſtampt paper, or of attornies' fees for drawing bonds and mortgages, and which accepts of repayment upon the eaſy terms of the banking companies of Scotland, would, no doubt, be a very convenient creditor to ſuch traders and undertakers. But ſuch traders and undertakers would, ſurely, be moſt inconvenient debtors to ſuch a bank.

It is now more than five-and-twenty years ſince the paper money iſſued by the different banking companies of Scotland was fully equal, or rather was ſomewhat more than fully equal, to what the circulation of the country could eaſily abſorb and employ. Thoſe companies, therefore, had ſo long ago given all the aſſiſtance to the traders and other undertakers of Scotland which it is poſſible for banks and bankers, conſiſtently with their own intereſt, to give. They had even done ſomewhat more. They had overtraded a little, and had brought upon themſelves that loſs, or at leaſt that diminution of profit, which in this particular buſineſs never fails to attend the ſmalleſt degree of overtrading. Thoſe traders and other undertakers, having got ſo much aſſiſtance from banks and bankers, wiſhed to get ſtill more. The banks, they ſeem to have thought, could extend their credits to whatever ſum might be wanted, without incurring any other expenſe beſides that of a few reams of paper. They complained of the contracted views and daſtardly ſpirit of the directors of thoſe

banks, which did not, they ſaid, extend their credits in proportion to the extenſion of the trade of the country; meaning, no doubt, by the extenſion of that trade the extenſion of their own projects beyond what they could carry on, either with their own capital, or with what they had credit to borrow of private people in the uſual way of bond or mortgage. The banks, they ſeem to have thought, were in honor bound to ſupply the deficiency, and to provide them with all the capital which they wanted to trade with. The banks, however, were of a different opinion, and upon their refuſing to extend their credits, ſome of thoſe traders had recourſe to an expedient which, for a time, ſerved their purpoſe, though at a much greater expenſe, yet as effectually as the utmoſt extenſion of bank credits could have done. This expedient was no other than the well-known ſhift of drawing and re-drawing; the ſhift to which unfortunate traders have ſometimes recourſe when they are upon the brink of bankruptcy. The practice of raiſing money in this manner had been long known in England, and during the courſe of the late war, when the high profits of trade afforded a great temptation to over-trading, is ſaid to have been carried on to a very great extent. From England it was brought into Scotland, where, in proportion to the very limited commerce, and to the very moderate capital of the country, it was ſoon carried on to a much greater extent than it ever had been in England.

The practice of drawing and re-drawing is ſo well known to all men of buſineſs, that it may perhaps be thought unneceſſary to give an account of it. But as this book may come into the hands of many people who are not men of buſineſs, and as the effects of this practice upon the banking trade are not perhaps generally underſtood even by men of buſineſs themſelves, I ſhall endeavour to explain it as diſtinctly as I can.

The cuſtoms of merchants, which were eſtabliſhed when the barbarous laws of Europe did not enforce the performance of their contracts, and which during the courſe of the two laſt centuries have been adopted into the laws of all European nations, have given ſuch extraordinary privileges to bills of exchange, that money is more readily advanced upon them, than upon any other ſpecies of obligation; eſpecially when they are made payable within ſo ſhort a period as two or three months after their date. If, when the bill becomes due, the acceptor does not pay it as ſoon as it is preſented, he becomes from that moment a bankrupt. The bill is proteſted, and returns upon the drawer, who, if he does not immediately pay it, becomes likewiſe a bankrupt. If, before it came to the perſon who preſents it to the acceptor for payment, it had paſſed through the hands of ſeveral other perſons, who had ſucceſſively advanced to one another the contents of it either in money or goods, and who to expreſs that each of them had in his turn received

thofe contents, had all of them in their order endorfed, that is, written their names upon the back of the bill; each endorfer becomes in his turn liable to the owner of the bill for thofe contents, and, if he fails to pay, he becomes too from that moment a bankrupt. Though the drawer, acceptor, and endorfers of the bill fhould, all of them, be perfons of doubtful credit; yet ftill the fhortnefs of the date gives fome fecurity to the owner of the bill. Though all of them may be very likely to become bankrupts; it is a chance if they all become fo in fo fhort a time. The houfe is crazy, fays a weary traveller to himfelf, and will not ftand very long; but it is a chance if it falls to-night, and I will venture, therefore, to fleep in it to-night.

The trader A in Edinburgh, we fhall fuppofe, draws a bill upon B in London, payable two months after date. In reality B in London owes nothing to A in Edinburgh; but he agrees to accept of A's bill, upon condition that before the term of payment he fhall redraw upon A in Edinburgh for the fame fum, together with the intereft and a commiffion, another bill, payable likewife two months after date. B accordingly, before the expiration of the firft two months, redraws this bill upon A in Edinburgh; who again, before the expiration of the fecond two months, draws a fecond bill upon B in London, payable likewife two months after date; and before the expiration of the third two months, B in London re-draws upon A in Edinburgh another bill, payable alfo two months after date. This

practice has sometimes gone on, not only for several months, but for several years together, the bill always returning upon A in Edinburgh, with the accumulated interest and commission of all the former bills. The interest was five per cent. in the year, and the commission was never less than one half per cent. on each draught. This commission being repeated more than six times in the year, whatever money A might raise by this expedient must necessarily have cost him something more than eight per cent. in the year, and sometimes a great deal more; when either the price of the commission happened to rise, or when he was obliged to pay compound interest upon the interest and commission of former bills. This practice was called raising money by circulation.

In a country where the ordinary profits of stock in the greater part of mercantile projects are supposed to run between six and ten per cent., it must have been a very fortunate speculation of which the returns could not only repay the enormous expense at which the money was thus borrowed for carrying it on; but afford, besides, a good surplus profit to the projector. Many vast and extensive projects, however, were undertaken, and for several years carried on without any other fund to support them besides what was raised at this enormous expense. The projectors, no doubt, had in their golden dreams the most distinct vision of this great profit. Upon their awaking, however, either at the end of their projects, or when they were no longer able to carry

them on, they very ſeldom, I believe, had the good fortune to find it *.

The bills which A in Edinburgh drew upon B in London, he regularly diſcounted two months before they were due with ſome bank or banker in Edinburgh; and the bills which B in London re-drew upon A in Edinburgh, he as regularly diſcounted either with the bank of England, or with ſome other bankers in London. Whatever was advanced upon ſuch circulating bills, was, in Edinburgh, advanced in the paper of the Scotch banks, and in London, when they were diſcounted at the bank of England, in the paper of that bank. Though the bills upon which this paper had been advanced, were all of them repaid in their turns as

* The method deſcribed in the text was by no means either the moſt common or the moſt expenſive one in which thoſe adventurers ſometimes raiſed money by circulation. It frequently happened that A in Edinburgh would enable B in London to pay the firſt bill of exchange by drawing, a few days before it became due, a ſecond bill at three months date upon the ſame B in London. This bill, being payable to his own order, A ſold in Edinburgh at par; and with its contents purchaſed bills upon London payable at ſight to the order of B, to whom he ſent them by the poſt. Towards the end of the late war, the exchange between Edinburgh and London was frequently three per cent. againſt Edinburgh, and thoſe bills at ſight muſt frequently have coſt A that premium. This tranſaction therefore being repeated at leaſt four times in the year, and being loaded with a commiſſion of at leaſt one half per cent. upon each repetition, muſt at that period have coſt A at leaſt fourteen per cent. in the year. At other times A would enable B to diſcharge the firſt bill of exchange by drawing, a few days before it became due, a ſecond bill at two months date; not

ſoon as they became due; yet the value which had been really advanced upon the firſt bill, was never really returned to the banks which advanced it; becauſe, before each bill became due, another bill was always drawn to ſomewhat a greater amount than the bill which was ſoon to be paid; and the diſcounting of this other bill, was eſſentially neceſſary towards the payment of that which was ſoon to be due. This payment, therefore, was altogether fictitious. The ſtream, which, by means of thoſe circulating bills of exchange, had once been made to run out from the coffers of the banks, was never replaced by any ſtream which really run into them.

upon B, but upon ſome third perſon, C, for example, in London. This other bill was made payable to the order of B, who, upon its being accepted by C, diſcounted it with ſome banker in London; and A enabled C to diſcharge it by drawing, a few days before it became due a third bill, likewiſe at two months date, ſometimes upon his firſt correſpondent B, and ſometimes upon ſome fourth or fifth perſon, D or E, for example. This third bill was made payable to the order of C; who, as ſoon as it was accepted, diſcounted it in the ſame manner with ſome banker in London. Such operations being repeated at leaſt ſix times in the year, and being loaded with a commiſſion of at leaſt one-half per cent. upon each repetition, together with the legal intereſt of five per cent, this method of raiſing money, in the ſame manner as that deſcribed in the text, muſt have coſt A ſomething more than eight per cent. By ſaving, however, the exchange between Edinburgh and London, it was leſs expenſive than that mentioned in the foregoing part of this note; but then it required an eſtabliſhed credit with more houſes than one in London, an advantage which many of theſe adventurers could not always find it eaſy to procure.

The paper which was iſſued upon thoſe circulating bills of exchange, amounted, upon many occaſions, to the whole fund deſtined for carrying on ſome vaſt and extenſive project of agriculture, commerce, or manufactures; and not merely to that part of it which, had there been no paper money, the projector would have been obliged to keep by him, unemployed and in ready money for anſwering occaſional demands. The greater part of this paper was, conſequently, over and above the value of the gold and ſilver which would have circulated in the country, had there been no paper money. It was over and above, therefore, what the circulation of the country could eaſily abſorb and employ, and upon that account, immediately returned upon the banks in order to be exchanged for gold and ſilver, which they were to find as they could. It was a capital which thoſe projectors had very artfully contrived to draw from thoſe banks, not only without their knowledge or deliberate conſent, but for ſome time, perhaps, without their having the moſt diſtant ſuſpicion that they had really advanced it.

When two people, who are continually drawing and re-drawing upon one another, diſcount their bills always with the ſame banker, he muſt immediately diſcover what they are about, and ſee clearly that they are trading, not with any capital of their own, but with the capital which he advances to them. But this diſcovery is not altogether ſo eaſy when they diſcount their bills ſometimes with one banker, and ſometimes with

another, and when the ſame two perſons do not conſtantly draw and re-draw upon one another, but occaſionally run the round of a great circle of projectors, who find it for their intereſt to aſſiſt one another in this method of raiſing money, and to render it, upon that account, as difficult as poſſible to diſtinguiſh between a real and a fictitious bill of exchange; between a bill drawn by a real creditor upon a real debtor, and a bill for which there was properly no real creditor but the bank which diſcounted it; nor any real debtor but the projector who made uſe of the money. When a banker had even made this diſcovery, he might ſometimes make it too late, and might find that he had already diſcounted the bills of thoſe projectors to ſo great an extent, that, by refuſing to diſcount any more, he would neceſſarily make them all bankrupts, and thus, by ruining them, might perhaps ruin himſelf. For his own intereſt and ſafety, therefore, he might find it neceſſary, in this very perilous ſituation, to go on for ſome time, endeavouring, however, to withdraw gradually, and upon that account making every day greater and greater difficulties about diſcounting, in order to force thoſe projectors by degrees to have recourſe, either to other bankers, or to other methods of raiſing money; ſo as that he himſelf might, as ſoon as poſſible, get out of the circle. The difficulties, accordingly, which the bank of England, which the principal bankers in London, and which even the more prudent Scotch banks began, after a certain time, and when all of them

had

had already gone too far, to make about difcounting, not only alarmed, but enraged in the higheft degree thofe projectors. Their own diftrefs, of which this prudent and neceffary referve of the banks was, no doubt, the immediate occafion, they called the diftrefs of the country; and this diftrefs of the country, they faid, was altogether owing to the ignorance, pufillanimity, and bad conduct of the banks, which did not give a fufficiently liberal aid to the fpirited undertakings of thofe who exerted themfelves in order to beautify, improve, and enrich the country. It was the duty of the banks, they feemed to think, to lend for as long a time, and to as great an extent as they might wifh to borrow. The banks, however, by refufing in this manner to give more credit to thofe, to whom they had already given a great deal too much, took the only method by which it was now poffible to fave either their own credit, or the public credit of the country.

In the midft of this clamor and diftrefs, a new bank was eftablifhed in Scotland for the exprefs purpofe of relieving the diftrefs of the country. The defign was generous; but the execution was imprudent, and the nature and caufes of the diftrefs which it meant to relieve, were not, perhaps, well underftood. This bank was more liberal than any other had ever been, both in granting cafh accounts, and in difcounting bills of exchange. With regard to the latter, it feems to have made fcarce any diftinction between real and circulating bills, but to have

difcounted all equally. It was the avowed principle of this bank to advance, upon any reafonable fecurity, the whole capital which was to be employed in thofe improvements of which the returns are the moft flow and diftant, fuch as the improvements of land. To promote fuch improvements was even faid to be the chief of the public fpirited purpofes for which it was inftituted. By its liberality in granting cafh accounts, and in difcounting bills of exchange, it, no doubt, iffued great quantities of its bank notes. But thofe bank notes being, the greater part of them, over and above what the circulation of the country could eafily abforb and employ, returned upon it, in order to be exchanged for gold and filver, as faft as they were iffued. Its coffers were never well filled. The capital which had been fubfcribed to this bank at two different fubfcriptions, amounted to one hundred and fixty thoufand pounds, of which eighty per cent. only was paid up. This fum ought to have been paid in at feveral different inftalments. A great part of the proprietors, when they paid in their firft inftalment, opened a cafh account with the bank; and the directors, thinking themfelves obliged to treat their own proprietors with the fame liberality with which they treated all other men, allowed many of them to borrow upon this cafh account what they paid in upon all their fubfequent inftalments. Such payments, therefore, only put into one coffer, what had the moment before been taken out of another. But had the coffers of this bank been filled ever fo well,

its exceſſive circulation muſt have emptied them faſter than they could have been repleniſhed by any other expedient but the ruinous one of drawing upon London, and when the bill became due, paying it, together with intereſt and commiſſion, by another draught upon the ſame place. Its coffers having been filled ſo very ill, it is ſaid to have been driven to this reſource within a very few months after it began to do buſineſs. The eſtates of the proprietors of this bank were worth ſeveral millions, and by their ſubſcription to the original bond or contract of the bank, were really pledged for anſwering all its engagements. By means of the great credit which ſo great a pledge neceſſarily gave it, it was, notwithſtanding its too liberal conduct, enabled to carry on buſineſs for more than two years. When it was obliged to ſtop, it had in the circulation about two hundred thouſand pounds in bank notes. In order to ſupport the circulation of thoſe notes, which were continually returning upon it as faſt as they were iſſued, it had been conſtantly in the practice of drawing bills of exchange upon London, of which the number and value were continually increaſing, and, when it ſtopt, amounted to upwards of ſix hundred thouſand pounds. This bank, therefore, had, in little more than the courſe of two years, advanced to different people upwards of eight hundred thouſand pounds at five per cent. Upon the two hundred thouſand pounds which it circulated in bank notes, this five per cent. might perhaps, be conſidered as clear gain,

without any other deduction besides the expense of management. But upon upwards of six hundred thousand pounds, for which it was continually drawing bills of exchange upon London, it was paying, in the way of interest and commission, upwards of eight per cent., and was consequently losing more than three per cent. upon more than three fourths of all its dealings.

The operations of this bank seem to have produced effects quite opposite to those which were intended by the particular persons who planned and directed it. They seem to have intended to support the spirited undertakings, for as such they considered them, which were at that time carrying on in different parts of the country; and at the same time, by drawing the whole banking business to themselves, to supplant all the other Scotch banks; particularly those established at Edinburgh, whose backwardness in discounting bills of exchange had given some offence. This bank, no doubt, gave some temporary relief to those projectors, and enabled them to carry on their projects for about two years longer than they could otherwise have done. But it thereby only enabled them to get so much deeper into debt, so that when ruin came, it fell so much the heavier both upon them and upon their creditors. The operations of this bank, therefore, instead of relieving, in reality aggravated in the long-run the distress which those projectors had brought both upon themselves and upon their country. It would have been

much better for themfelves, their creditors and their country, had the greater part of them been obliged to ftop two years fooner than they actually did. The temporary relief, however, which this bank afforded to thofe projectors, proved a real and permanent relief to the other Scotch banks. All the dealers in circulating bills of exchange, which thofe other banks had become fo backward in difcounting, had recourfe to this new bank, where they were received with open arms. Thofe other banks, therefore, were enabled to get very eafily out of that fatal circle, from which they could not otherwife have difengaged themfelves without incurring a confiderable lofs, and perhaps too even fome degree of difcredit.

In the long-run, therefore, the operations of this bank increafed the real diftrefs of the country which it meant to relieve; and effectually relieved from a very great diftrefs thofe rivals whom it meant to fupplant.

At the firft fetting out of this bank, it was the opinion of fome people, that how faft foever its coffers might be emptied, it might eafily replenifh them by raifing money upon the fecurities of thofe to whom it had advanced its paper. Experience, I believe, foon convinced them that this method of raifing money was by much too flow to anfwer their purpofe; and that coffers which originally were fo ill filled, and which emptied themfelves fo very faft, could be replenifhed by no other expedient but the ruinous one of drawing bills upon London, and when

they became due, paying them by other draughts upon the ſame place with accumulated intereſt and commiſſion. But though they had been able by this method to raiſe money as faſt as they wanted it; yet inſtead of making a profit, they muſt have ſuffered a loſs by every ſuch operation; ſo that in the long-run they muſt have ruined themſelves as a mercantile company, though, perhaps, not ſo ſoon as by the more expenſive practice of drawing and re-drawing. They could ſtill have made nothing by the intereſt of the paper, which, being over and above what the circulation of the country could abſorb and employ, returned upon them, in order to be exchanged for gold and ſilver, as faſt as they iſſued it; and for the payment of which they were themſelves continually obliged to borrow money. On the contrary, the whole expenſe of this borrowing, of employing agents to look out for people who had money to lend, of negociating with thoſe people, and of drawing the proper bond or aſſignment, muſt have fallen upon them, and have been ſo much clear loſs upon the balance of their accounts. The project of repleniſhing their coffers in this manner may be compared to that of a man who had a water-pond from which a ſtream was continually running out, and into which no ſtream was continually running, but who propoſed to keep it always equally full by employing a number of people to go continually with buckets to a well at ſome miles diſtance in order to bring water to repleniſh it.

But though this operation had proved, not only practicable, but profitable to the bank as a mercantile company, yet the country could have derived no benefit from it; but, on the contrary, muft have fuffered a very confiderable lofs by it. This operation could not augment in the fmalleft degree the quantity of money to be lent. It could only have erected this bank into a fort of general loan office for the whole country. Thofe who wanted to borrow, muft have applied to this bank, inftead of applying to the private perfons who had lent it their money. But a bank which lends money, perhaps, to five hundred different people, the greater part of whom its directors can know very little about, is not likely to be more judicious in the choice of its debtors, than a private perfon who lends out his money among a few people whom he knows, and in whofe fober and frugal conduct he thinks he has good reafon to confide. The debtors of fuch a bank, as that whofe conduct I have been giving fome account of, were likely, the greater part of them, to be chimerical projectors, the drawers and re-drawers of circulating bills of exchange, who would employ the money in extravagant undertakings, which, with all the affiftance that could be given them, they would probably never be able to compleat, and which, if they fhould be compleated, would never repay the expenfe which they had really coft, would never afford a fund capable of maintaining a quantity of labor equal to that which had been employed about them. The fober and frugal debtors

of private perfons, on the contrary, would be more likely to employ the money borrowed in fober undertakings which were proportioned to their capitals, and which, though they might have lefs of the grand and the marvellous, would have more of the folid and the profitable, which would repay with a large profit whatever had been laid out upon them, and which would thus afford a fund capable of maintaining a much greater quantity of labor than that which had been employed about them. The fuccefs of this operation, therefore, without increafing in the fmalleft degree the capital of the country, would only have transferred a great part of it from prudent and profitable, to imprudent and unprofitable undertakings.

That the induftry of Scotland languifhed for want of money to employ it, was the opinion of the famous Mr. Law. By eftablifhing a bank of a particular kind, which he feems to have imagined might iffue paper to the amount of the whole value of all the lands in the country, he propofed to remedy this want of money. The parliament of Scotland, when he firft propofed his project, did not think proper to adopt it. It was afterwards adopted, with fome variations, by the duke of Orleans, at that time regent of France. The idea of the poffibility of multiplying paper money to almoft any extent, was the real foundation of what is called the Miffiffippi fcheme, the moft extravagant project both of banking and ftock-jobbing that, perhaps, the world ever faw. The different

operations of this ſcheme are explained ſo fully, ſo clearly, and with ſo much order and diſtinctneſs, by Mr. Du Verney, in his Examination of the Political Reflections upon Commerce and Finances of Mr. Du Tot, that I ſhall not give any account of them. The principles upon which it was founded are explained by Mr. Law himſelf, in a diſcourſe concerning money and trade, which he publiſhed in Scotland when he firſt propoſed his project. The ſplendid, but viſionary ideas which are ſet forth in that and ſome other works upon the ſame principles, ſtill continue to make an impreſſion upon many people, and have, perhaps, in part, contributed to that exceſs of banking, which has of late been complained of both in Scotland and in other places.

The bank of England is the greateſt bank of circulation in Europe. It was incorporated, in purſuance of an act of parliament, by a charter under the great ſeal, dated the 27th of July, 1694. It at that time advanced to government the ſum of one million two hundred thouſand pounds, for an annuity of one hundred thouſand pounds; or for 96,000 *l.* a year intereſt, at the rate of eight per cent., and 4,000 *l.* a year for the expenſe of management. The credit of the new government, eſtabliſhed by the Revolution, we may believe, muſt have been very low, when it was obliged to borrow at ſo high an intereſt.

In 1697 the bank was allowed to enlarge its capital ſtock by an engraftment of 1,001,171 *l.* 10 *s.* Its whole capital ſtock, therefore amounted at this time to 2,201,171 *l.* 10 *s.* This engraftment is ſaid to

have been for the ſupport of public credit. In 1696, tallies had been at forty, and fifty, and ſixty per cent diſcount, and bank notes at twenty per cent. * During the great recoinage of the ſilver, which was going on at this time, the bank had thought proper to diſcontinue the payment of its notes, which neceſſarily occaſioned their diſcredit.

In purſuance of the 7th Anne, c. vii. the bank advanced and paid into the exchequer, the ſum of 400,000 *l.*; making in all the ſum of 1,600,000 *l.* which it had advanced upon its original annuity of 96,000 *l.* intereſt and 4,000 *l.* for expenſe of management. In 1708, therefore, the credit of government was as good as that of private perſons, ſince it could borrow at ſix per cent. intereſt, the common legal and market rate of thoſe times. In purſuance of the ſame act, the bank cancelled exchequer bills to the amount of 1,775,027 *l.* 17 *s.* 10½ *d.* at ſix per cent. intereſt, and was at the ſame time allowed to take in ſubſcriptions for doubling its capital. In 1708, therefore, the capital of the bank amounted to 4,402,343 *l.*; and it had advanced to government the ſum of 3,375,027 *l.* 17 *s.* 10½ *d.*

By a call of fifteen per cent. in 1709, there was paid in and made ſtock 656,204 *l.* 1 *s.* 9 *d.*; and by another of ten per cent. in 1710, 501,448 *l.* 12 *s.* 11 *d.* In conſequence of thoſe two calls, therefore, the bank capital amounted to 5,559,995 *l.* 14 *s.* 8 *d.*

* James Poſtlethwaite's Hiſtory of the Public Revenue, page 501.

In purſuance of the 3d George I. c. 8. the bank delivered up two millions of exchequer bills to be cancelled. It had at this time, therefore, advanced to government 5,375,027 *l.* 17 *s.* 10 *d.* In purſuance of the 8th George I. c. 21. the bank purchaſed of the South Sea Company, ſtock to the amount of 4,000,000 *l.*; and in 1722, in conſequence of the ſubſcriptions which it had taken in for enabling it to make this purchaſe, its capital ſtock was increaſed by 3,400,000 *l.* At this time, therefore, the bank had advanced to the public 9,375,027 *l.* 17 *s.* 10½ *d.*; and its capital ſtock amounted only to 8,959,995 *l.* 14 *s.* 8 *d.* It was upon this occaſion that the ſum which the bank had advanced to the public, and for which it received intereſt, began firſt to exceed its capital ſtock, or the ſum for which it paid a dividend to the proprietors of bank ſtock; or, in other words, that the bank began to have an undivided capital, over and above its divided one. It has continued to have an undivided capital of the ſame kind ever ſince. In 1746, the bank had, upon different occaſions, advanced to the public 11,686,800 *l.* and its divided capital had been raiſed by different calls and ſubſcriptions to 10,780,000 *l.* The ſtate of thoſe two ſums has continued to be the ſame ever ſince. In purſuance of the 4th of George III. c. 25. the bank agreed to pay to government for the renewal of its charter 110,000 *l.* without intereſt or repayment. This ſum, therefore, did not increaſe either of thoſe two other ſums.

The dividend of the bank has varied according to the variations in the rate of the intereſt which it has, at different times, received for the money it had advanced to the public, as well as according to other circumſtances. This rate of intereſt has gradually been reduced from eight to three per cent. For ſome years paſt the bank dividend has been at five and a half per cent.

The ſtability of the bank of England is equal to that of the Britiſh government. All that it has advanced to the public muſt be loſt before its creditors can ſuſtain any loſs. No other banking company in England can be eſtabliſhed by act of parliament, or can conſiſt of more than ſix members. It acts, not only as an ordinary bank, but as a great engine of ſtate. It receives and pays the greater part of the annuities which are due to the creditors of the public, it circulates exchequer bills, and it advances to government the annual amount of the land and malt taxes, which are frequently not paid up till ſome years thereafter. In thoſe different operations, its duty to the public may ſometimes have obliged it, without any fault of its directors, to overſtock the circulation with paper money. It likewiſe diſcounts merchants bills, and has, upon ſeveral different occaſions, ſupported the credit of the principal houſes, not only of England, but of Hamburgh and Holland. Upon one occaſion, in 1763, it is ſaid to have advanced for this purpoſe, in one week, about 1,600,000 *l.*; a great part of it

in bullion. I do not, however, pretend to warrant either the greatnefs of the fum, or the fhortnefs of the time. Upon other occafions, this great company has been reduced to the neceffity of paying in fixpences.

It is not by augmenting the capital of the country, but by rendering a greater part of that capital active and productive than would otherwife be fo, that the moft judicious operations of banking can increafe the induftry of the country. That part of his capital which a dealer is obliged to keep by him unemployed, and in ready money for anfwering occafional demands, is fo much dead ftock, which, fo long as it remains in this fituation, produces nothing either to him or to his country. The judicious operations of banking enable him to convert this dead ftock into active and productive ftock; into materials to work upon, into tools to work with, and into provifions and fubfiftence to work for; into ftock which produces fomething both to himfelf and to his country. The gold and filver money which circulates in any country, and by means of which the produce of its land and labor is annually circulated and diftributed to the proper confumers, is, in the fame manner as the ready money of the dealer, all dead ftock. It is a very valuable part of the capital of the country, which produces nothing to the country. The judicious operations of banking, by fubftituting paper in the room of a great part of this gold and filver, enables the country to convert a

great part of this dead ſtock into active and productive ſtock; into ſtock which produces ſomething to the country. The gold and ſilver money which circulates in any country may very properly be compared to a highway, which, while it circulates and carries to market all the graſs and corn of the country, produces itſelf not a ſingle pile of either. The judicious operations of banking, by providing, if I may be allowed ſo violent a metaphor, a ſort of waggon-way through the air; enable the country to convert, as it were, a great part of its highways into good paſtures and corn-fields, and thereby to increaſe very conſiderably the annual produce of its land and labor. The commerce and induſtry of the country, however, it muſt be acknowledged, though they may be ſomewhat augmented, cannot be altogether ſo ſecure, when they are thus, as it were, ſuſpended upon the Dædalian wings of paper money, as when they travel about upon the ſolid ground of gold and ſilver. Over and above the accidents to which they are expoſed from the unſkilfulneſs of the conductors of this paper money, they are liable to ſeveral others, from which no prudence or ſkill of thoſe conductors can guard them.

An unſucceſsful war, for example, in which the enemy got poſſeſſion of the capital, and conſequently of that treaſure which ſupported the credit of the paper money, would occaſion a much greater confuſion in a country where the whole circulation was carried on by paper, than

in one where the greater part of it was carried on by gold and ſilver. The uſual inſtrument of commerce having loſt its value, no exchanges could be made but either by barter or upon credit. All taxes having been uſually paid in paper money, the prince would not have wherewithal either to pay his troops, or to furniſh his magazines; and the ſtate of the country would be much more irretrievable than if the greater part of its circulation had conſiſted in gold and ſilver. A prince, anxious to maintain his dominions at all times in the ſtate in which he can moſt eaſily defend them, ought, upon this account, to guard, not only againſt that exceſſive multiplication of paper money which ruins the very banks which iſſue it; but even againſt that multiplication of it, which enables them to fill the greater part of the circulation of the country with it.

The circulation of every country may be conſidered as divided into two different branches; the circulation of the dealers with one another, and the circulation between the dealers and the conſumers. Though the ſame prices of money, whether paper or metal, may be employed ſometimes in the one circulation and ſometimes in the other, yet as both are conſtantly going on at the ſame time, each requires a certain ſtock of money of one kind or another, to carry it on. The value of the goods circulated between the different dealers, never can exceed the value of thoſe circulated between the dealers and the conſumers;

whatever is bought by the dealers, being ultimately deftined to be fold to the confumers. The circulation between the dealers, as it is carried on by wholefale, requires generally a pretty large fum for every particular tranfaction. That between the dealers and the confumers, on the contrary, at it is generally carried on by retail, frequently requires but very fmall ones, a fhilling, or even a halfpenny, being often fufficient. But fmall fums circulate much fafter than large ones. A fhilling changes mafters more frequently than a guinea, and a halfpenny more frequently than a fhilling. Though the annual purchafes of all the confumers, therefore are at leaft equal in value to thofe of all the dealers, they can generally be tranfacted with a much fmaller quantity of money; the fame pieces, by a more rapid circulation, ferving as the inftrument of many more purchafes of the one kind than of the other.

Paper money may be fo regulated, as either to confine itfelf very much to the circulation between the different dealers; or to extend itfelf likewife to a great part of that between the dealers and the confumers. Where no bank notes are circulated under ten pounds value, as in London, paper money confines itfelf very much to the circulation between the dealers. When a ten pound bank note comes into the hands of a confumer, he is generally obliged to change it at the firft fhop where he has occafion to purchafe five fhillings worth of goods, fo that it often

returns

returns into the hands of a dealer, before the consumer has spent the fortieth part of the money. Where bank notes are issued for so small sums as twenty shillings, as in Scotland, paper money extends itself to a considerable part of the circulation between dealers and consumers. Before the act of parliament, which put a stop to the circulation of ten and five shilling notes, it filled a still greater part of that circulation. In the currencies of North America, paper was commonly issued for so small a sum as a shilling, and filled almost the whole of that circulation. In some paper currencies of Yorkshire, it was issued even for so small a sum as sixpence.

Where the issuing of bank notes for such very small sums is allowed and commonly practised, many mean people are both enabled and encouraged to become bankers. A person whose promissory note for five pounds, or even for twenty shillings, would be rejected by every body, will get it to be received without scruple when it is issued for so small a sum as a sixpence. But the frequent bankruptcies to which such beggarly bankers must be liable, may occasion a very considerable inconveniency, and sometimes even a very great calamity to many poor people who had received their notes in payment.

It were better, perhaps, that no bank notes were issued in any part of the kingdom for a smaller sum than five pounds. Paper money would then, probably, confine itself, in every part of the kingdom, to the circulation between the different dealers, as much as it does at present in London, where no bank notes are issued under ten

pounds value; five pounds being, in moſt parts of the kingdom, a ſum which, though it will purchaſe, perhaps, little more than half the quantity of goods, is as much conſidered, and is as ſeldom ſpent all at once, as ten pounds are amidſt the profuſe expenſe of London.

Where paper money, it is to be obſerved, is pretty much confined to the circulation between dealers and dealers, as at London, there is always plenty of gold and ſilver. Where it extends itſelf to a conſiderable part of the circulation between dealers and conſumers, as in Scotland, and ſtill more in North America, it baniſhes gold and ſilver almoſt entirely from the country; almoſt all the ordinary tranſactions of its interior commerce being thus carried on by paper. The ſuppreſſion of ten and five ſhilling bank notes, ſomewhat relieved the ſcarcity of gold and ſilver in Scotland; and the ſuppreſſion of twenty ſhilling notes, would probably relieve it ſtill more. Thoſe metals are ſaid to have become more abundant in America, ſince the ſuppreſſion of ſome of their paper currencies. They are ſaid, likewiſe, to have been more abundant before the inſtitution of thoſe currencies.

Though paper money ſhould be pretty much confined to the circulation between dealers and dealers, yet banks and bankers might ſtill be able to give nearly the ſame aſſiſtance to the induſtry and commerce of the country, as they had done when paper money filled almoſt the whole circulation. The ready money which a dealer is obliged to keep by him, for anſwering occaſional demands,

is deſtined altogether for the circulation between himſelf and other dealers, of whom he buys goods. He has no occaſion to keep any by him for the circulation between himſelf and the conſumers, who are his cuſtomers, and who bring ready money to him, inſtead of taking any from him. Though no paper money, therefore, was allowed to be iſſued, but for ſuch ſums as would confine it pretty much to the circulation between dealers and dealers; yet, partly by diſcounting real bills of exchange, and partly by lending upon caſh accounts, banks and bankers might ſtill be able to relieve the greater part of thoſe dealers from the neceſſity of keeping any conſiderable part of their ſtock by them, unemployed and in ready money, for anſwering occaſional demands. They might ſtill be able to give the utmoſt aſſiſtance which banks and bankers can, with propriety, give to traders of every kind.

To reſtrain private people, it may be ſaid, from receiving in payment the promiſſory notes of a banker, for any ſum whether great or ſmall, when they themſelves are willing to receive them; or, to reſtrain a banker from iſſuing ſuch notes, when all his neighbours are willing to accept of them, is a manifeſt violation of that natural liberty which it is the proper buſineſs of law, not to infringe, but to ſupport. Such regulations may, no doubt, be conſidered as in ſome reſpect a violation of natural liberty. But thoſe exertions of the natural liberty of a few individuals, which might endanger the ſecurity of the whole ſociety,

are, and ought to be, reftrained by the laws of all governments; of the moft free, as well as of the moft defpotical. The obligation of building party walls, in order to prevent the communication of fire is a violation of natural liberty, exactly of the fame kind with the regulations of the banking trade which are here propofed.

A paper money confifting in bank notes, iffued by people of undoubted credit, payable upon demand without any condition, and in fact always readily paid as foon as prefented, is, in every refpect, equal in value to gold and filver money; fince gold and filver money can at any time be had for it. Whatever is either bought or fold for fuch paper, muft neceffarily be bought or fold as cheap as it could have been for gold and filver.

The increafe of paper money, it has been faid, by augmenting the quantity, and confequently diminifhing the value of the whole currency, neceffarily augments the money price of commodities. But as the quantity of gold and filver, which is taken from the currency, is always equal to the quantity of paper which is added to it; paper money does not neceffarily increafe the quantity of the whole currency. From the beginning of the laft century to the prefent time, provifions never were cheaper in Scotland than in 1759, though, from the circulation of ten and five fhilling bank notes, there was then more paper money in the country than at prefent. The proportion between the price of provifions in Scotland and that in England, is the fame now as before the

great multiplication of banking companies in Scotland. Corn is upon moſt occaſions fully as cheap in England as in France; though there is a great deal of paper money in England, and ſcarce any in France. In 1751 and in 1752, when Mr. Hume publiſhed his Political Diſcourſes, and ſoon after the great multiplication of paper money in Scotland, there was a very ſenſible riſe in the price of proviſions, owing, probably, to the badneſs of the ſeaſons, and not to the multiplication of paper money.

It would be otherwiſe, indeed, with a paper money conſiſting in promiſſory notes, of which the immediate payment depended, in any reſpect, either upon the good will of thoſe who iſſued them; or upon a condition which the holder of the notes might not always have it in his power to fulfil; or of which the payment was not exigible till after a certain number of years, and which in the mean time bore no intereſt. Such a paper money would, no doubt, fall more or leſs below the value of gold and ſilver, according as the difficulty or uncertainty of obtaining immediate payment was ſuppoſed to be greater or leſs; or according to the greater or leſs diſtance of time at which payment was exigible.

Some years ago the different banking companies of Scotland were in the practice of inſerting into their bank notes, what they called an Optional Clauſe, by which they promiſed payment to the bearer, either as ſoon as the note ſhould be preſented, or, in the option of the directors, ſix

months after ſuch preſentment, together with the legal intereſt for the ſaid ſix months. The directors of ſome of thoſe banks ſometimes took advantage of this optional clauſe, and ſometimes threatened thoſe who demanded gold and ſilver in exchange for a conſiderable number of their notes, that they would take advantage of it, unleſs ſuch demanders would content themſelves with a part of what they demanded. The promiſſory notes of thoſe banking companies conſtituted at that time the far greater part of the currency of Scotland, which this uncertainty of payment neceſſarily degraded below the value of gold and ſilver money. During the continuance of this abuſe (which prevailed chiefly in 1762, 1763, and 1764), while the exchange between London and Carliſle was at par, that between London and Dumfries would ſometimes be four per cent. againſt Dumfries, though this town is not thirty miles diſtant from Carliſle. But at Carliſle, bills were paid in gold and ſilver; whereas at Dumfries they were paid in Scotch bank notes, and the uncertainty of getting thoſe bank notes exchanged for gold and ſilver coin had thus degraded them four per cent. below the value of that coin. The ſame act of parliament which ſuppreſſed ten and five ſhilling bank notes, ſuppreſſed likewiſe this optional clauſe, and thereby reſtored the exchange between England and Scotland to its natural rate, or to what the courſe of trade and remittances might happen to make it.

In the paper currencies of Yorkſhire, the

payment of fo fmall a fum as fixpence fometimes depended upon the condition that the holder of the note fhould bring the change of a guinea to the perfon who iffued it; a condition, which the holders of fuch notes might frequently find it very difficult to fulfil, and which muft have degraded this currency below the value of gold and filver money. An act of parliament, accordingly, declared all fuch claufes unlawful, and fuppreffed, in the fame manner as in Scotland, all promiffory notes, payable to the bearer, under twenty fhillings value.

The paper currencies of North America confifted, not in bank notes payable to the bearer on demand, but in a government paper, of which the payment was not exigible till feveral years after it was iffued: And though the colony governments paid no intereft to the holders of this paper, they declared it to be, and in fact rendered it, a legal tender of payment for the full value for which it was iffued. But allowing the colony fecurity to be perfectly good, a hundred pounds payable fifteen years hence, for example, in a country where intereft is at fix per cent. is worth little more than forty pounds ready money. To oblige a creditor, therefore, to accept of this as full payment for a debt of a hundred pounds actually paid down in ready money, was an act of fuch violent injuftice, as has fcarce, perhaps, been attempted by the government of any other country which pretended to be free. It bears the evident marks of having originally been, what the honeft and downright Doctor Douglas affures

us it was, a ſcheme of fraudulent debtors to cheat their creditors. The government of Penſylvania, indeed, pretended, upon their firſt emiſſion of paper money, in 1722, to render their paper of equal value with gold and ſilver, by enacting penalties againſt all thoſe who made any difference in the price of their goods when they ſold them for a colony paper, and when they ſold them for gold and ſilver; a regulation equally tyrannical, but much leſs effectual than that which it was meant to ſupport. A poſitive law may render a ſhilling a legal tender for a guinea; becauſe it may direct the courts of juſtice to diſcharge the debtor who has made that tender. But no poſitive law can oblige a perſon who ſells goods, and who is at liberty to ſell or not to ſell, as he pleaſes, to accept of a ſhilling as equivalent to a guinea in the price of them. Notwithſtanding any regulation of this kind, it appeared by the courſe of exchange with Great Britain, that a hundred pounds ſterling was occaſionally conſidered as equivalent, in ſome of the colonies, to a hundred and thirty pounds, and in others to ſo great a ſum as eleven hundred pounds currency; this difference in the value ariſing from the difference in the quantity of paper emitted in the different colonies, and in the diſtance and probability of the term of its final diſcharge and redemption.

No law, therefore, could be more equitable than the act of parliament, ſo unjuſtly complained of in the colonies, which declared that no paper currency to be emitted there in time coming, ſhould be a legal tender of payment.

Penſylvania was always more moderate in its emiſſions of paper money than any other of our colonies. Its paper currency accordingly is ſaid never to have ſunk below the value of the gold and ſilver which was current in the colony before the firſt emiſſion of its paper money. Before that emiſſion, the colony had raiſed the denomination of its coin, and had, by act of aſſembly, ordered five ſhillings ſterling to paſs in the colony for ſix and three-pence, and afterwards for ſix and eight-pence. A pound colony currency, therefore, even when that currency was gold and ſilver, was more than thirty per cent. below the value of a pound ſterling, and when that currency was turned into paper, it was ſeldom much more than thirty per cent. below that value. The pretence for raiſing the denomination of the coin, was to prevent the exportation of gold and ſilver, by making equal quantities of thoſe metals paſs for greater ſums in the colony than they did in the mother country. It was found, however, that the price of all goods from the mother country roſe exactly in proportion as they raiſed the denomination of their coin, ſo that their gold and ſilver were exported as faſt as ever.

The paper of each colony being received in the payment of the provincial taxes, for the full value for which it had been iſſued, it neceſſarily derived from this uſe ſome additional value, over and above what it would have had, from the real or ſuppoſed diſtance of the term of its final diſcharge and redemption. This additional value

was greater or lefs, according as the quantity of paper iffued was more or lefs above what could be employed in the payment of the taxes of the particular colony which iffued it. It was in all the colonies very much above what could be employed in this manner.

A prince, who fhould enact that a certain proportion of his taxes fhould be paid in a paper money of a certain kind, might thereby give a certain value to this paper money; even though the term of its final difcharge and redemption fhould depend altogether upon the will of the prince. If the bank which iffued this paper was careful to keep the quantity of it always fomewhat below what could eafily be employed in this manner, the demand for it might be fuch as to make it even bear a premium, or fell for fomewhat more in the market than the quantity of gold or filver currency for which it was iffued. Some people account in this manner for what is called the Agio of the bank of Amfterdam, or for the fuperiority of bank money over current money; though this bank money, as they pretend, cannot be taken out of the bank at the will of the owner. The greater part of foreign bills of exchange muft be paid in bank money, that is, by a transfer in the books of the bank; and the directors of the bank, they allege, are careful to keep the whole quantity of bank money always below what this ufe occafions a demand for. It is upon this account, they fay, that bank money fells for a premium, or bears an agio of four or

five per cent. above the ſame nominal ſum of the gold and ſilver currency of the country. This account of the bank of Amſterdam, however, it will appear hereafter, is in a great meaſure chimerical.

A paper currency which falls below the value of gold and ſilver coin, does not thereby ſink the value of thoſe metals, or occaſion equal quantities of them to exchange for a ſmaller quantity of goods of any other kind. The proportion between the value of gold and ſilver and that of goods of any other kind, depends in all caſes, not upon the nature or quantity of any particular paper money, which may be current in any particular country, but upon the richneſs or poverty of the mines, which happen at any particular time to ſupply the great market of the commercial world with thoſe metals. It depends upon the proportion between the quantity of labor which is neceſſary in order to bring a certain quantity of gold and ſilver to market, and that which is neceſſary in order to bring thither a certain quantity of any other ſort of goods.

If bankers are reſtrained from iſſuing any circulating bank notes, or notes payable to the bearer, for leſs than a certain ſum; and if they are ſubjected to the obligation of an immediate and unconditional payment of ſuch bank notes as ſoon as preſented, their trade may, with ſafety to the public, be rendered in all other reſpects perfectly free. The late multiplication of banking companies in both parts of the united kingdom, an event

by which many people have been much alarmed, inſtead of diminiſhing, increaſes the ſecurity of the public. It obliges all of them to be more circumſpect in their conduct, and, by not extending their currency beyond its due proportion to their caſh, to guard themſelves againſt thoſe malicious runs, which the rivalſhip of ſo many competitors is always ready to bring upon them. It reſtrains the circulation of each particular company within a narrower circle, and reduces their circulating notes to a ſmaller number. By dividing the whole circulation into a greater number of parts, the failure of any one company, an accident which, in the courſe of things, muſt ſometimes happen, becomes of leſs conſequence to the public. This free competition too obliges all bankers to be more liberal in their dealings with their cuſtomers, leſt their rivals ſhould carry them away. In general, if any branch of trade, or any diviſion of labor, be advantageous to the public, the freer and more general the competition, it will always be the more ſo.

CHAP. III.

Of the Accumulation of Capital, or of productive and unproductive Labor.

THERE is one ſort of labor which adds to the value of the ſubject upon which it is beſtowed: there is another which has no ſuch effect. The former, as it produces a value, may be called productive; the latter, unproductive * labor. Thus the labor of a manufacturer adds, generally, to the value of the materials which he works upon, that of his own maintenance, and of his maſter's profit. The labor of a menial ſervant, on the contrary, adds to the value of nothing. Though the manufacturer has his wages advanced to him by his maſter, he, in reality, coſts him no expenſe, the value of thoſe wages being generally reſtored, together with a profit, in the improved value of the ſubject upon which his labor is beſtowed. But the maintenance of a menial ſervant never is reſtored. A man grows rich by employing a multitude of manufacturers: he grows poor, by maintaining a multitude of menial ſervants. The labor of the latter, however, has its value, and deſerves its rewards as well as that of the former. But the labor of the manufacturer fixes and realizes itſelf in ſome particular

* Some French authors of great learning and ingenuity have uſed thoſe words in a different ſenſe. In the laſt chapter of the fourth book, I ſhall endeavour to ſhow that their ſenſe is an improper one.

ſubject or vendible commodity, which laſts for ſome time at leaſt after that labor is paſt. It is, as it were, a certain quantity of labor ſtocked and ſtored up to be employed, if neceſſary, upon ſome other occaſion. That ſubject, or what is the ſame thing, the price of that ſubject, can afterwards, if neceſſary, put into motion a quantity of labor equal to that which had originally produced it. The labor of the menial ſervant, on the contrary, does not fix or realize itſelf in any particular ſubject or vendible commodity. His ſervices generally periſh in the very inſtant of their performance, and ſeldom leave any trace or value behind them, for which an equal quantity of ſervice could afterwards be procured.

The labor of ſome of the moſt reſpectable orders in the ſociety is, like that of menial ſervants, unproductive of any value, and does not fix or realize itſelf in any permanent ſubject, or vendible commodity, which endures after that labor is paſt, and for which an equal quantity of labor could afterwards be procured. The ſovereign, for example, with all the officers both of juſtice and war who ſerve under him, the whole army and navy, are unproductive laborers. They are the ſervants of the public, and are maintained by a part of the annual produce of the induſtry of other people. Their ſervice, how honorable, how uſeful, or how neceſſary ſoever, produces nothing for which an equal quantity of ſervice can afterwards be procured. The protection, ſecurity, and defence of the common-

wealth, the effect of their labor this year, will not purchase its protection, security, and defence for the year to come. In the same class must be ranked, some both of the gravest and most important, and some of the most frivolous professions: churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, &c. The labor of the meanest of these has a certain value, regulated by the very same principles which regulate that of every other sort of labor; and that of the noblest and most useful, produces nothing which could afterwards purchase or procure an equal quantity of labor. Like the declamation of the actor, the harangue of the orator, or the tune of the musician, the work of all of them perishes in the very instant of its production.

Both productive and unproductive laborers, and those who do not labor at all, are all equally maintained by the annual produce of the land and labor of the country. This produce, how great soever, can never be infinite, but must have certain limits. According, therefore, as a smaller or greater proportion of it is in any one year employed in maintaining unproductive hands, the more in the one case and the less in the other will remain for the productive, and the next year's produce will be greater or smaller accordingly; the whole annual produce, if we except the spontaneous productions of the earth, being the effect of productive labor.

Though the whole annual produce of the

land and labor of every country, is, no doubt, ultimately deſtined for ſupplying the conſumption of its inhabitants, and for procuring a revenue to them; yet when it firſt comes either from the ground, or from the hands of the productive laborers, it naturally divides itſelf into two parts. One of them, and frequently the largeſt, is, in the firſt place, deſtined for replacing a capital, or for renewing the proviſions, materials, and finiſhed work, which had been withdrawn from a capital; the other for conſtituting a revenue either to the owner of this capital, as the profit of his ſtock; or to ſome other perſon, as the rent of his land. Thus, of the produce of land, one part replaces the capital of the farmer; the other pays his profit and the rent of the landlord; and thus conſtitutes a revenue both to the owner of this capital, as the profit of his ſtock; and to ſome other perſon, as the rent of his land. Of the produce of a great manufactory, in the ſame manner, one part, and that always the largeſt, replaces the capital of the undertaker of the work; the other pays his profit, and thus conſtitutes a revenue to the owner of this capital.

That part of the annual produce of the land and labor of any country which replaces a capital, never is immediately employed to maintain any but productive hands. It pays the wages of productive labor only. That which is immediately deſtined for conſtituting a revenue either as profit or as rent, may maintain indifferently either productive or unproductive hands.

Whatever

Whatever part of his ſtock a man employs as a capital, he always expects is to be replaced to him with a profit. He employs it, therefore, in maintaining productive hands only; and after having ſerved in the function of a capital to him, it conſtitutes a revenue to them. Whenever he employs any part of it in maintaining unproductive hands of any kind, that part is, from that moment, withdrawn from his capital, and placed in his ſtock reſerved for immediate conſumption.

Unproductive laborers, and thoſe who do not labor at all, are all maintained by revenue; either, firſt, by that part of the annual produce which is originally deſtined for conſtituting a revenue to ſome particular perſons, either as the rent of land or as the profits of ſtock; or, ſecondly, by that part which, though originally deſtined for replacing a capital and for maintaining productive laborers only, yet when it comes into their hands, whatever part of it is over and above their neceſſary ſubſiſtence, may be employed in maintaining indifferently either productive or unproductive hands. Thus, not only the great landlord or the rich merchant, but even the common workman, if his wages are conſiderable, may maintain a menial ſervant; or he may ſometimes go to a play or a puppet-ſhow, and ſo contribute his ſhare towards maintaining one ſet of unproductive laborers; or he may pay ſome taxes, and thus help to maintain another ſet, more honorable and uſeful, indeed, but equally unproductive. No part of the annual produce,

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however, which had been originally deſtined to replace a capital, is ever directed towards maintaining unproductive hands, till after it has put into motion its full complement of productive labor, or all that it could put into motion in the way in which it was employed. The workman muſt have earned his wages by work done, before he can employ any part of them in this manner. That part too is generally but a ſmall one. It is his ſpare revenue only, of which productive laborers have ſeldom a great deal. They generally have ſome, however; and in the payment of taxes the greatneſs of their number may compenſate, in ſome meaſure, the ſmallneſs of their contribution. The rent of land and the profits of ſtock are every-where, therefore, the principal ſources from which unproductive hands derive their ſubſiſtence. Theſe are the two ſorts of revenue of which the owners have generally moſt to ſpare. They might both maintain indifferently either productive or unproductive hands. They ſeem, however, to have ſome predilection for the latter. The expenſe of a great lord feeds generally more idle than induſtrious people. The rich merchant, though with his capital he maintains induſtrious people only, yet by his expenſe, that is, by the employment of his revenue, he feeds commonly the very ſame ſort as the great lord.

The proportion, therefore, between the productive and unproductive hands, depends very much in every country upon the proportion

between that part of the annual produce, which, as ſoon as it comes either from the ground or from the hands of the productive laborers, is deſtined for replacing a capital, and that which is deſtined for conſtituting a revenue, either as rent, or as profit. This proportion is very different in rich from what it is in poor countries.

Thus, at preſent, in the opulent countries of Europe, a very large, frequently the largeſt portion of the produce of the land, is deſtined for replacing the capital of the rich and independent farmer; the other for paying his profits, and the rent of the landlord. But anciently, during the prevalency of the feudal government, a very ſmall portion of the produce was ſufficient to replace the capital employed in cultivation. It conſiſted commonly in a few wretched cattle, maintained altogether by the ſpontaneous produce of uncultivated land, and which might, therefore, be conſidered as a part of that ſpontaneous produce. It generally too belonged to the landlord, and was by him advanced to the occupiers of the land. All the reſt of the produce properly belonged to him too, either as rent for his land, or as profit upon this paultry capital. The occupiers of land were generally bondmen, whoſe perſons and effects were equally his property. Thoſe who were not bondmen were tenants at will, and though the rent which they paid was often nominally little more than a quit-rent, it really amounted to the whole produce of the land. Their lord could at all times command

their labor in peace, and their ſervice in war. Though they lived at a diſtance from his houſe, they were equally dependant upon him as his retainers who lived in it. But the whole produce of the land undoubtedly belongs to him, who can diſpoſe of the labor and ſervice of all thoſe whom it maintains. In the preſent ſtate of Europe, the ſhare of the landlord ſeldom exceeds a third, ſometimes not a fourth part of the whole produce of the land. The rent of land, however, in all the improved parts of the country, has been tripled and quadrupled ſince thoſe ancient times; and this third or fourth part of the annual produce is, it ſeems, three or four times greater than the whole had been before. In the progreſs of improvement, rent, though it increaſes in proportion to the extent, diminiſhes in proportion to the produce of the land.

In the opulent countries of Europe, great capitals are at preſent employed in trade and manufactures. In the ancient ſtate, the little trade that was ſtirring, and the few homely and coarſe manufactures that were carried on, required but very ſmall capitals. Theſe, however, muſt have yielded very large profits. The rate of intereſt was no-where leſs than ten per cent. and their profits muſt have been ſufficient to afford this great intereſt. At preſent the rate of intereſt, in the improved parts of Europe, is no-where higher than ſix per cent. and in ſome of the moſt improved it is ſo low as four, three, and two per cent. Though that part of the revenue of the

inhabitants which is derived from the profits of ſtock is always much greater in rich than in poor countries, it is becauſe the ſtock is much greater: in proportion to the ſtock the profits are generally much leſs.

That part of the annual produce, therefore, which, as ſoon as it comes either from the ground, or from the hands of the productive laborers, is deſtined for replacing a capital, is not only much greater in rich than in poor countries, but bears a much greater proportion to that which is immediately deſtined for conſtituting a revenue either as rent or as profit. The funds deſtined for the maintenance of productive labor, are not only much greater in the former than in the latter, but bear a much greater proportion to thoſe which, though they may be employed to maintain either productive or unproductive hands, have generally a predilection for the latter.

The proportion between thoſe different funds neceſſarily determines in every country the general character of the inhabitants as to induſtry or idleneſs. We are more induſtrious than our forefathers, becauſe in the preſent times the funds deſtined for the maintenance of induſtry, are much greater in proportion to thoſe which are likely to be employed in the maintenance of idleneſs, than they were two or three centuries ago. Our anceſtors were idle for want of a ſufficient encouragement to induſtry. It is better, ſays the proverb, to play for nothing, than to work for nothing. In mercantile and manufacturing

towns, where the inferior ranks of people are chiefly maintained by the employment of capital, they are in general induſtrious, ſober, and thriving; as in many Engliſh, and in moſt Dutch towns. In thoſe towns which are principally ſupported by the conſtant or occaſional reſidence of a court, and in which the inferior ranks of people are chiefly maintained by the ſpending of revenue, they are in general idle, diſſolute, and poor; as at Rome, Verſailles, Compiegne, and Fontainebleau. If you except Rouen and Bourdeaux, there is little trade or induſtry in any of the parliament towns of France; and the inferior ranks of people, being chiefly maintained by the expenſe of the members of the courts of juſtice, and of thoſe who come to plead before them, are in general idle and poor. The great trade of Rouen and Bourdeaux ſeems to be altogether the effect of their ſituation. Rouen is neceſſarily the entrepôt of almoſt all the goods which are brought either from foreign countries, or from the maritime provinces of France, for the conſumption of the great city of Paris. Bourdeaux is in the ſame manner the entrepôt of the wines which grow upon the banks of the Garonne, and of the rivers which run into it, one of the richeſt wine countries in the world, and which ſeems to produce the wine fitteſt for exportation, or beſt ſuited to the taſte of foreign nations. Such advantageous ſituations neceſſarily attract a great capital by the great employment which they afford it; and the employment of this capital

is the cauſe of the induſtry of thoſe two cities. In the other parliament towns of France, very little more capital ſeems to be employed than what is neceſſary for ſupplying their own conſumption; that is, little more than the ſmalleſt capital which can be employed in them. The ſame thing may be ſaid of Paris, Madrid, and Vienna. Of thoſe three cities, Paris is by far the moſt induſtrious; but Paris itſelf is the principal market of all the manufactures eſtabliſhed at Paris, and its own conſumption is the principal object of all the trade which it carries on. London, Liſbon, and Copenhagen, are, perhaps, the only three cities in Europe, which are both the conſtant reſidence of a court, and can at the ſame time be conſidered as trading cities, or as cities which trade not only for their own conſumption, but for that of other cities and countries. The ſituation of all the three is extremely advantageous, and naturally fits them to be the entrepôts of a great part of the goods deſtined for the conſumption of diſtant places. In a city where a great revenue is ſpent, to employ with advantage a capital for any other purpoſe than for ſupplying the conſumption of that city, is probably more difficult than in one in which the inferior ranks of people have no other maintenance but what they derive from the employment of ſuch a capital. The idleneſs of the greater part of the people who are maintained by the expenſe of revenue, corrupts, it is probable, the induſtry of thoſe who ought to be maintained by

the employment of capital, and renders it lefs advantageous to employ a capital there than in other places. There was little trade or induftry in Edinburgh before the union. When the Scotch parliament was no longer to be affembled in it, when it ceafed to be the neceffary refidence of the principal nobility and gentry of Scotland, it became a city of fome trade and induftry. It ftill continues, however, to be the refidence of the principal courts of juftice in Scotland, of the boards of cuftoms and excife, &c. A confiderable revenue, therefore, ftill continues to be fpent in it. In trade and induftry it is much inferior to Glafgow, of which the inhabitants are chiefly maintained by the employment of capital. The inhabitants of a large village, it has fometimes been obferved, after having made confiderable progrefs in manufactures, have become idle and poor, in confequence of a great lord's having taken up his refidence in their neighbourhood.

The proportion between capital and revenue, therefore, feems every-where to regulate the proportion between induftry and idlenefs. Wherever capital predominates, induftry prevails: wherever revenue, idlenefs. Every increafe or diminution of capital, therefore, naturally tends to increafe or diminifh the real quantity of induftry, the number of productive hands, and confequently the exchangeable value of the annual produce of the land and labor of the country, the real wealth and revenue of all its inhabitants.

Capitals are increafed by parfimony, and diminifhed by prodigality and mifconduct.

Whatever a perfon faves from his revenue he adds to his capital, and either employs it himfelf in maintaining an additional number of productive hands, or enables fome other perfon to do fo, by lending it to him for an intereft, that is, for a fhare of the profits. As the capital of an individual can be increafed only by what he faves from his annual revenue or his annual gains, fo the capital of a fociety, which is the fame with that of all the individuals who compofe it, can be increafed only in the fame manner.

Parfimony, and not induftry, is the immediate caufe of the increafe of capital. Induftry, indeed, provides the fubject which parfimony accumulates. But whatever induftry might acquire, if parfimony did not fave and ftore up, the capital would never be the greater.

Parfimony, by increafing the fund which is deftined for the maintenance of productive hands, tends to increafe the number of thofe hands whofe labor adds to the value of the fubject upon which it is beftowed. It tends therefore to increafe the exchangeable value of the annual produce of the land and labor of the country. It puts into motion an additional quantity of induftry, which gives an additional value to the annual produce.

What is annually faved is as regularly confumed as what is annually fpent, and nearly in the fame time too; but it is confumed by a

different ſet of people. That portion of his revenue which a rich man annually ſpends, is in moſt caſes conſumed by idle gueſts, and menial ſervants, who leave nothing behind them in return for their conſumption. That portion which he annually ſaves, as for the ſake of the profit it is immediately employed as a capital, is conſumed in the ſame manner, and nearly in the ſame time too, but by a different ſet of people, by laborers, manufacturers, and artificers, who re-produce with a profit the value of their annual conſumption. His revenue, we ſhall ſuppoſe, is paid him in money. Had he ſpent the whole, the food, clothing, and lodging, which the whole could have purchaſed, would have been diſtributed among the former ſet of people. By ſaving a part of it, as that part is for the ſake of the profit immediately employed as a capital either by himſelf or by ſome other perſon, the food, clothing, and lodging, which may be purchaſed with it, are neceſſarily reſerved for the latter. The conſumption is the ſame, but the conſumers are different.

By what a frugal man annually ſaves, he not only affords maintenance to an additional number of productive hands, for that or the enſuing year, but, like the founder of a public workhouſe, he eſtabliſhes as it were a perpetual fund for the maintenance of an equal number in all times to come. The perpetual allotment and deſtination of this fund, indeed, is not always guarded by any poſitive law, by any truſt-right

or deed of mortmain. It is always guarded, however, by a very powerful principle, the plain and evident intereſt, of every individual to whom any ſhare of it ſhall ever belong. No part of it can ever afterwards be employed to maintain any but productive hands, without an evident loſs to the perſon who thus perverts it from its proper deſtination.

The prodigal perverts it in this manner. By not confining his expenſe within his income, he encroaches upon his capital. Like him who perverts the revenues of ſome pious foundation to profane purpoſes, he pays the wages of idleneſs with thoſe funds which the frugality of his forefathers had, as it were, conſecrated to the maintenance of induſtry. By diminiſhing the funds deſtined for the employment of productive labor, he neceſſarily diminiſhes, ſo far as it depends upon him, the quantity of that labor which adds a value to the ſubject upon which it is beſtowed, and, conſequently, the value of the annual produce of the land and labor of the whole country, the real wealth and revenue, of its inhabitants. If the prodigality of ſome was not compenſated by the frugality of others, the conduct of every prodigal, by feeding the idle with the bread of the induſtrious, tends not only to beggar himſelf, but to impoveriſh his country.

Though the expenſe of the prodigal ſhould be altogether in home-made, and no part of it in foreign commodities, its effect upon the productive

funds of the ſociety would ſtill be the ſame. Every year there would ſtill be a certain quantity of food and clothing, which ought to have maintained productive, employed in maintaining unproductive hands. Every year, therefore, there would ſtill be ſome diminution in what would otherwiſe have been the value of the annual produce of the land and labor of the country.

This expenſe, it may be ſaid indeed, not being in foreign goods, and not occaſioning any exportation of gold and ſilver, the ſame quantity of money would remain in the country as before. But if the quantity of food and clothing, which were thus conſumed by unproductive, had been diſtributed among productive hands, they would have reproduced, together with a profit, the full value of their conſumption. The ſame quantity of money would in this caſe equally have remained in the country, and there would beſides have been a reproduction of an equal value of conſumable goods. There would have been two values inſtead of one.

The ſame quantity of money, beſides, cannot long remain in any country in which the value of the annual produce diminiſhes. The ſole uſe of money is to circulate conſumable goods. By means of it, proviſions, materials, and finiſhed work, are bought and ſold, and diſtributed to their proper conſumers. The quantity of money, therefore, which can be annually employed in any country, muſt be determined by the value

of the consumable goods annually circulated within it. These must consist either in the immediate produce of the land and labor of the country itself, or in something which had been purchased with some part of that produce. Their value, therefore, must diminish as the value of that produce diminishes, and along with it the quantity of money which can be employed in circulating them. But the money which by this annual diminution of produce is annually thrown out of domestic circulation, will not be allowed to lie idle. The interest of whoever possesses it, requires that it should be employed. But having no employment at home, it will, in spite of all laws and prohibitions, be sent abroad, and employed in purchasing consumable goods which may be of some use at home. Its annual exportation will in this manner continue for some time to add something to the annual consumption of the country beyond the value of its own annual produce. What in the days of its prosperity had been saved from that annual produce, and employed in purchasing gold and silver, will contribute for some little time to support its consumption in adversity. The exportation of gold and silver is, in this case, not the cause, but the effect of its declension, and may even, for some little time, alleviate the misery of that declension.

The quantity of money, on the contrary, must in every country naturally increase as the value of the annual produce increases. The value of

the consumable goods annually circulated within the society being greater, will require a greater quantity of money to circulate them. A part of the increased produce, therefore, will naturally be employed in purchasing, wherever it is to be had, the additional quantity of gold and silver necessary for circulating the rest. The increase of those metals will in this case be the effect, not the cause, of the public prosperity. Gold and silver are purchased every-where in the same manner. The food, clothing, and lodging, the revenue and maintenance of all those whose labor or stock is employed in bringing them from the mine to the market, is the price paid for them in Peru as well as in England. The country which has this price to pay, will never be long without the quantity of those metals which it has occasion for; and no country will ever long retain a quantity which it has no occasion for.

Whatever, therefore, we may imagine the real wealth and revenue of a country to consist in, whether in the value of the annual produce of its land and labor, as plain reason seems to dictate; or in the quantity of the precious metals which circulate within it, as vulgar prejudices suppose; in either view of the matter, every prodigal appears to be a public enemy, and every frugal man a public benefactor.

The effects of misconduct are often the same as those of prodigality. Every injudicious and unsuccessful project in agriculture, mines, fisheries,

trade, or manufactures, tends in the fame manner to diminifh the funds deftined for the maintenance of productive labor. In every fuch project, though the capital is confumed by productive hands only, yet, as by the injudicious manner in which they are employed, they do not reproduce the full value of their confumption, there muft always be fome diminution in what would otherwife have been the productive funds of the fociety.

It can feldom happen, indeed, that the circumftances of a great nation can be much affected either by the prodigality or mifconduct of individuals; the profufion or imprudence of fome, being always more than compenfated by the frugality and good conduct of others.

With regard to profufion, the principle which prompts to expenfe, is the paffion for prefent enjoyment; which, though fometimes violent and very difficult to be reftrained, is in general only momentary and occafional. But the principle which prompts to fave, is the defire of bettering our condition, a defire which, though generally calm and difpaffionate, comes with us from the womb, and never leaves us till we go into the grave. In the whole interval which feparates thofe two moments, there is fcarce perhaps a fingle inftant in which any man is fo perfectly and compleatly fatisfied with his fituation, as to be without any wifh of alteration or improvement of any kind. An augmentation of

fortune is the means by which the greater part of men propofe and wifh to better their condition. It is the means the moft vulgar and the moft obvious; and the moft likely way of augmenting their fortune, is to fave and accumulate fome part of what they acquire, either regularly and annually, or upon fome extraordinary occafions. Though the principle of expenfe, therefore, prevails in almoft all men upon fome occafions, and in fome men upon almoft all occafions, yet in the greater part of men, taking the whole courfe of their life at an average, the principle of frugality feems not only to predominate, but to predominate very greatly.

With regard to mifconduct, the number of prudent and fuccefsful undertakings is everywhere much greater than that of injudicious and unfuccefsful ones. After all our complaints of the frequency of bankruptcies, the unhappy men who fall into this misfortune make but a very fmall part of the whole number engaged in trade, and all other forts of bufinefs, not much more perhaps than one in thoufand. Bankruptcy is perhaps the greateft and moft humiliating calamity which can befal an innocent man. The greater part of men, therefore, are fufficiently careful to avoid it. Some, indeed, do not avoid it; as fome do not avoid the gallows.

Great nations are never impoverifhed by private, though they fometimes are by public prodigality and mifconduct. The whole, or almoft the whole public revenue, is in moft

countries employed in maintaining unproductive hands. Such are the people who compofe a numerous and fplendid court, a great ecclefiaftical eftablifhment, great fleets and armies, who in time of peace produce nothing, and in time of war acquire nothing which can compenfate the expenfe of maintaining them, even while the war lafts. Such people, as they themfelves produce nothing, are all maintained by the produce of other men's labor. When multiplied, therefore, to an unneceffary number, they may in a particular year confume fo great a fhare of this produce, as not to leave a fufficiency for maintaining the productive laborers, who fhould reproduce it next year. The next year produce, therefore, will be lefs than that of the foregoing, and if the fame diforder fhould continue, that of the third year will be ftill lefs than that of the fecond. Thofe unproductive hands, who fhould be maintained by a part only of the fpare revenue of the people, may confume fo great a fhare of their whole revenue, and thereby oblige fo great a number to encroach upon their capitals, upon the funds deftined for the maintenance of productive labor, that all the frugality and good conduct of individuals may not be able to compenfate the wafte and degradation of produce occafioned by this violent and forced encroachment.

This frugality and good conduct, however, is upon moft occafions, it appears from experience, fufficient to compenfate, not only the private prodigality and mifconduct of individuals,

but the public extravagance of government. The uniform, conſtant, and uninterrupted effort of every man to better his condition, the principle from which public and national, as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progreſs of things toward improvement, in ſpite both of the extravagance of government, and of the greateſt errors of adminiſtration. Like the unknown principle of animal life, it frequently reſtores health and vigor to the conſtitution, in ſpite, not only of the diſeaſe, but of the abſurd preſcriptions of the doctor.

The annual produce of the land and labor of any nation can be increaſed in its value by no other means, but by increaſing either the number of its productive laborers, or the productive powers of thoſe laborers who had before been employed. The number of its productive laborers, it is evident, can never be much increaſed, but in conſequence of an increaſe of capital, or of the funds deſtined for maintaining them. The productive powers of the ſame number of laborers cannot be increaſed, but in conſequence either of ſome addition and improvement to thoſe machines and inſtruments which facilitate and abridge labor; or of a more proper diviſion and diſtribution of employment. In either caſe an additional capital is almoſt always required. It is by means of an additional capital only, that the undertaker of any work can either provide his workmen with better machinery; or

make a more proper diftribution of employment among them. When the work to be done confifts of a number of parts, to keep every man conftantly employed in one way, requires a much greater capital than where every man is occafionally employed in every different part of the work. When we compare, therefore, the ftate of a nation at two different periods, and find, that the annual produce of its land and labor is evidently greater at the latter than at the former, that its lands are better cultivated, its manufactures more numerous and more flourifhing, and its trade more extenfive, we may be affured that its capital muft have increafed during the interval between thofe two periods, and that more muft have been added to it by the good conduct of fome, than had been taken from it either by the private mifconduct of others, or by the public extravagance of government. But we fhall find this to have been the cafe of almoft all nations, in all tolerably quiet and peaceable times, even of thofe who have not enjoyed the moft prudent and parfimonious governments. To form a right judgment of it, indeed, we muft compare the ftate of the country at periods fomewhat diftant from one another. The progrefs is frequently fo gradual, that, at near periods, the improvement is not only not fenfible, but from the declenfion either of certain branches of induftry, or of certain diftricts of the country, things which fometimes happen though the country in general be in great profperity, there frequently arifes a

ſuſpicion, that the riches and induſtry of the whole are decaying.

The annual produce of the land and labor of England, for example, is certainly much greater than it was, a little more than a century ago, at the reſtoration of Charles II. Though, at preſent, few people, I believe, doubt of this, yet during this period, five years have ſeldom paſſed away in which ſome book or pamphlet has not been publiſhed, written too with ſuch abilities as to gain ſome authority with the public, and pretending to demonſtrate that the wealth of the nation was faſt declining, that the country was depopulated, agriculture neglected, manufactures decaying, and trade undone. Nor have theſe publications been all party pamphlets, the wretched offspring of falſhood and venality. Many of them have been written by very candid and very intelligent people; who wrote nothing but what they believed, and for no other reaſon but becauſe they believed it.

The annual produce of the land and labor of England again, was certainly much greater at the reſtoration, than we can ſuppoſe it to have been about a hundred years before, at the acceſſion of Elizabeth. At this period too, we have all reaſon to believe, the country was much more advanced in improvement, than it had been about a century before, towards the cloſe of the diſſenſions between the houſes of York and Lancaſter. Even then it was, probably, in a better condition than it had been in the Norman conqueſt, and at the Norman conqueſt, than during the confuſion

of the Saxon Heptarchy. Even at this early period, it was certainly a more improved country than at the invafion of Julius Cæfar, when its inhabitants were nearly in the fame ftate with the favages in North-America.

In each of thofe periods, however, there was, not only much private and public profufion, many expenfive and unneceffary wars, great perverfion of the annual produce from maintaining productive to maintain unproductive hands; but fometimes, in the confufion of civil difcord, fuch abfolute wafte and deftruction of ftock, as might be fuppofed, not only to retard, as it certainly did, the natural accumulation of riches, but to have left the country, at the end of the period, poorer than at the beginning. Thus, in the happieft and moft fortunate period of them all, that which has paffed fince the reftoration, how many diforders and misfortunes have occurred, which, could they have been forefeen, not only the impoverifhment, but the total ruin of the country would have been expected from them? The fire and the plague of London, the two Dutch wars, the diforders of the revolution, the war in Ireland, the four expenfive French wars of 1688, 1702, 1742, and 1756, together with the two rebellions of 1715 and 1745. In the courfe of the four French wars, the nation has contracted more than a hundred and forty-five millions of debt, over and above all the other extraordinary annual expenfe which they occafioned, fo that the whole cannot be computed at lefs than two hundred millions. So great a fhare of the annual

produce of the land and labor of the country, has, ſince the revolution, been employed upon different occaſions, in maintaining an extraordinary number of unproductive hands. But had not thoſe wars given this particular direction to ſo large a capital, the greater part of it would naturally have been employed in maintaining productive hands, whoſe labor would have replaced, with a profit, the whole value of their conſumption. The value of the annual produce of the land and labor of the country, would have been conſiderably increaſed by it every year, and every year's increaſe would have augmented ſtill more that of the following year. More houſes would have been built, more lands would have been improved, and thoſe which had been improved before would have been better cultivated; more manufactures would have been eſtabliſhed, and thoſe which had been eſtabliſhed before would have been more extended; and to what height the real wealth and revenue of the country might, by this time, have been raiſed, it is not perhaps very eaſy even to imagine.

But though the profuſion of government muſt, undoubtedly, have retarded the natural progreſs of England towards wealth and improvement, it has not been able to ſtop it. The annual produce of its land and labor is, undoubtedly, much greater at preſent than it was either at the reſtoration or at the revolution. The capital, therefore, annually employed in cultivating this land, and in maintaining this labor, muſt likewiſe be much greater. In the midſt of all the

exactions of government, this capital has been silently and gradually accumulated by the private frugality and good conduct of individuals, by their universal, continual, and uninterrupted effort to better their own condition. It is this effort, protected by law and allowed by liberty to exert itself in the manner that is most advantageous, which has maintained the progress of England towards opulence and improvement in almost all former times, and which, it is to be hoped, will do so in all future times. England, however, as it has never been blessed with a very parsimonious government, so parsimony has at no time been the characteristical virtue of its inhabitants. It is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the œconomy of private people, and to restrain their expense, either by sumptuary laws, or by prohibiting the importation of foreign luxuries. They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expense, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will.

As frugality increases, and prodigality diminishes the public capital, so the conduct of those whose expense just equals their revenue, without either accumulating or encroaching, neither increases nor diminishes it. Some modes of expense, however, seem to contribute more to the growth of public opulence than others.

The revenue of an individual may be ſpent, either in things which are conſumed immediately, and in which one day's expenſe can neither alleviate nor ſupport that of another; or it may be ſpent in things more durable, which can therefore be accumulated, and in which every day's expenſe may, as he chuſes, either alleviate or ſupport and heighten the effect of that of the following day. A man of fortune, for example, may either ſpend his revenue in a profuſe and ſumptuous table, and in maintaining a great number of menial ſervants, and a multitude of dogs and horſes; or contenting himſelf with a frugal table and few attendants, he may lay out the greater part of it in adorning his houſe or his country villa, in uſeful or ornamental buildings, in uſeful or ornamental furniture, in collecting books, ſtatues, pictures; or in things more frivolous, jewels, baubles, ingenious trinkets of different kinds; or, what is moſt trifling of all, in amaſſing a great wardrobe of fine clothes, like the favorite and miniſter of a great prince who died a few years ago. Were two men of equal fortune to ſpend their revenue, the one chiefly in the one way, the other in the other, the magnificence of the perſon whoſe expenſe had been chiefly in durable commodities, would be continually increaſing, every day's expenſe contributing ſomething to ſupport and heighten the effect of that of the following day: that of the other, on the contrary, would be no greater at the end of the period than at the beginning. The former too would, at the end of the period,

be the richer man of the two. He would have a ſtock of goods of ſome kind or other, which, though it might not be worth all that it coſt, would always be worth ſomething. No trace or veſtige of the expenſe of the latter would remain, and the effects of ten or twenty years profuſion would be as compleatly annihilated as if they had never exiſted.

As the one mode of expenſe is more favorable than the other to the opulence of an individual, ſo is it likewiſe to that of a nation. The houſes, the furniture, the clothing of the rich, in a little time, become uſeful to the inferior and middling ranks of people. They are able to purchaſe them when their ſuperiors grow weary of them, and the general accommodation of the whole people is thus gradually improved, when this mode of expenſe becomes univerſal among men of fortune. In countries which have long been rich, you will frequently find the inferior ranks of people in poſſeſſion both of houſes and furniture perfectly good and entire, but of which neither the one could have been built, nor the other have been made for their uſe. What was formerly a ſeat of the family of Seymour, is now an inn upon the Bath road. The marriage-bed of James the Firſt of Great Britain, which his Queen brought with her from Denmark, as a preſent fit for a ſovereign to make to a ſovereign, was, a few years ago, the ornament of an alehouſe at Dunfermline. In ſome ancient cities, which either have been long ſtationary, or have gone ſomewhat to decay, you will ſometimes

ſcarce find a ſingle houſe which could have been built for its preſent inhabitants. If you go into thoſe houſes too, you will frequently find many excellent, though antiquated pieces of furniture, which are ſtill very fit for uſe, and which could as little have been made for them. Noble palaces, magnificent villas, great collections of books, ſtatues, pictures, and other curioſities, are frequently both an ornament and an honor, not only to the neighbourhood, but to the whole country to which they belong. Verſailles is an ornament and an honor to France, Stowe and Wilton to England. Italy ſtill continues to command ſome ſort of veneration by the number of monuments of this kind which it poſſeſſes, though the wealth which produced them has decayed, and though the genius which planned them ſeems to be extinguiſhed, perhaps from not having the ſame employment.

The expenſe too, which is laid out in durable commodities, is favorable, not only to accumulation, but to frugality. If a perſon ſhould at any time exceed in it, he can eaſily reform without expoſing himſelf to the cenſure of the public. To reduce very much the number of his ſervants, to reform his table from great profuſion to great frugality, to lay down his equipage after he has once ſet it up, are changes which cannot eſcape the obſervation of his neighbours, and which are ſuppoſed to imply ſome acknowledgement of preceding bad conduct. Few, therefore, of thoſe who have once been ſo unfortunate as to launch out too far into this ſort of expenſe,

have afterwards the courage to reform, till ruin and bankruptcy oblige them. But if a perſon has, at any time, been at too great an expenſe in building, in furniture, in books or pictures, no imprudence can be inferred from his changing his conduct. Theſe are things in which further expenſe is frequently rendered unneceſſary by former expenſe; and when a perſon ſtops ſhort, he appears to do ſo, not becauſe he has exceeded his fortune, but becauſe he has ſatisfied his fancy.

The expenſe, beſides, that is laid out in durable commodities, gives maintenance, commonly, to a greater number of people, than that which is employed in the moſt profuſe hoſpitality. Of two or three hundred weight of proviſions, which may ſometimes be ſerved up at a great feſtival, one-half, perhaps, is thrown to the dunghill, and there is always a great deal waſted and abuſed. But if the expenſe of this entertainment had been employed in ſetting to work maſons, carpenters, upholſterers, mechanics, &c. a quantity of proviſions, of equal value, would have been diſtributed among a ſtill greater number of people, who would have bought them in penny-worths and pound weights, and not have loſt or thrown away a ſingle ounce of them. In the one way, beſides, this expenſe maintains productive, in the other unproductive hands. In the one way therefore, it increaſes, in the other, it does not increaſe, the exchangeable value of the annual produce of the land and labor of the country.

I would not, however, by all this be underſtood to mean, that the one ſpecies of expenſe always betokens a more liberal or generous ſpirit than the other. When a man of fortune ſpends his revenue chiefly in hoſpitality, he ſhares the greater part of it with his friends and companions; but when he employs it in purchaſing ſuch durable commodities, he often ſpends the whole upon his own perſon, and gives nothing to any body without an equivalent. The latter ſpecies of expenſe, therefore, eſpecially when directed towards frivolous objects, the little ornaments of dreſs and furniture, jewels, trinkets, gewgaws, frequently indicates, not only a trifling, but a baſe and ſelfiſh diſpoſition. All that I mean is, that the one ſort of expenſe, as it always occaſions ſome accumulation of valuable commodities, as it is more favorable to private frugality, and, conſequently, to the increaſe of the public capital, and as it maintains productive, rather than unproductive hands, conduces more than the other to the growth of public opulence.

CHAP. IV.

Of Stock lent at Intereſt.

THE ſtock which is lent at intereſt is always conſidered as a capital by the lender. He expects that in due time it is to be reſtored to him, and that in the mean time the borrower is to pay him a certain annual rent for the uſe of it. The borrower may uſe it either as a capital, or as a ſtock reſerved for immediate conſumption. If he uſes it as a capital, he employs it in the maintenance of productive laborers, who reproduce the value with a profit. He can, in this caſe, both reſtore the capital and pay the intereſt without alienating or encroaching upon any other ſource of revenue. If he uſes it as a ſtock reſerved for immediate conſumption, he acts the part of a prodigal, and diſſipates in the maintenance of the idle, what was deſtined for the ſupport of the induſtrious. He can, in this caſe, neither reſtore the capital nor pay the intereſt, without either alienating or encroaching upon ſome other ſource of revenue, ſuch as the property or the rent of land.

The ſtock which is lent at intereſt is, no doubt, occaſionally employed in both theſe ways, but in the former much more frequently than in the latter. The men who borrows in order to ſpend will ſoon be ruined, and he who lends to him will generally have occaſion to repent of his

folly. To borrow or to lend for ſuch a purpoſe, therefore, is in all caſes, where groſs uſury is out of the queſtion, contrary to the intereſt of both parties; and though it no doubt happens ſometimes that people do both the one and the other; yet, from the regard that all men have for their own intereſt, we may be aſſured, that it cannot happen ſo very frequently as we are ſometimes apt to imagine. Aſk any rich man of common prudence, to which of the two ſorts of people he has lent the greater part of his ſtock, to thoſe who, he thinks, will employ it profitably, or to thoſe who will ſpend it idly, and he will laugh at you for propoſing the queſtion. Even among borrowers, therefore, not the people in the world moſt famous for frugality, the number of the frugal and induſtrious ſurpaſſes conſiderably that of the prodigal and idle.

The only people to whom ſtock is commonly lent, without their being expected to make any very profitable uſe of it, are country gentlemen who borrow upon mortgage. Even they ſcarce ever borrow merely to ſpend. What they borrow, one may ſay, is commonly ſpent before they borrow it. They have generally conſumed ſo great a quantity of goods, advanced to them upon credit by ſhopkeepers and tradeſmen, that they find it neceſſary to borrow at intereſt in order to pay the debt. The capital borrowed replaces the capitals of thoſe ſhopkeepers and tradeſmen, which the country gentlemen could not have replaced from the rents of their eſtates. It is not properly borrowed in order to be ſpent, but in

order to replace a capital which had been ſpent before.

Almoſt all loans at intereſt are made in money, either of paper, or of gold and ſilver. But what the borrower really wants, and what the lender really ſupplies him with, is not the money, but the money's worth, or the goods which it can purchaſe. If he wants it as a ſtock for immediate conſumption, it is thoſe goods only which he can place in that ſtock. If he wants it as a capital for employing induſtry, it is from thoſe goods only that the induſtrious can be furniſhed with the tools, materials, and maintenance, neceſſary for carrying on their work. By means of the loan, the lender, as it were, aſſigns to the borrower his right to a certain portion of the annual produce of the land and labor of the country, to be employed as the borrower pleaſes.

The quantity of ſtock, therefore, or, as it is commonly expreſſed, of money which can be lent at intereſt in any country, is not regulated by the value of the money, whether paper or coin, which ſerves as the inſtrument of the different loans made in that country, but by the value of that part of the annual produce which, as ſoon as it comes either from the ground, or from the hands of the productive laborers, is deſtined not only for replacing a capital, but ſuch a capital as the owner does not care to be at the trouble of employing himſelf. As ſuch capitals are commonly lent out and paid back in money, they conſtitute what is called the monied intereſt. It is diſtinct, not only from the landed, but from the trading and

manufacturing interefts, as in thefe laft the owners themfelves employ their own capitals. Even in the monied intereft, however, the money is, as it were, but the deed of affignment, which conveys from one hand to another thofe capitals which the owners do not care to employ themfelves. Thofe capitals may be greater in almoft any proportion, than the amount of the money which ferves as the inftrument of their conveyance; the fame pieces of money fucceffively ferving for many different loans, as well as for many different purchafes. A, for example, lends to W a thoufand pounds, with which W immediately purchafes of B a thoufand pounds worth of goods. B having no occafion for the money himfelf, lends the identical pieces to X, with which X immediately purchafes of C another thoufand pounds worth of goods. C in the fame manner, and for the fame reafon, lends them to Y, who again purchafes goods with them of D. In this manner the fame pieces, either of coin or of paper, may, in the courfe of a few days, ferve as the inftrument of three different loans, and of three different purchafes, each of which is in value, equal to the whole amount of thofe pieces. What the three monied men A, B, and C, affign to the three borrowers, W, X, Y, is the power of making thofe purchafes. In this power confift both the value and the ufe of the loans. The ftock lent by the three monied men, is equal to the value of the goods which can be purchafed with it, and is three times greater than that of the money with which the purchafes are made. Thofe loans, however, may be all perfectly

well

well fecured, the goods purchafed by the different debtors being fo employed, as, in due time, to bring back, with a profit, an equal value either of coin or of paper. And as the fame pieces of money can thus ferve as the inftrument of different loans to three, or for the fame reafon, to thirty times their value, fo they may likewife fucceffively ferve as the inftrument of repayment.

A capital lent at intereft may, in this manner, be confidered as an affignment from the lender to the borrower of a certain confiderable portion of the annual produce; upon condition that the borrower in return fhall, during the continuance of the loan, annually affign to the lender a fmaller portion, called the intereft; and at the end of it a portion equally confiderable with that which had originally been affigned to him, called the repayment. Though money, either coin or paper, ferves generally as the deed of affignment both to the fmaller, and to the more confiderable portion, it is itfelf altogether different from what is affigned by it.

In proportion as that fhare of the annual produce which, as foon as it comes either from the ground, or from the hands of the productive laborers, is deftined for replacing a capital, increafes in any country, what is called the monied intereft naturally increafes with it. The increafe of thofe particular capitals from which the owners wifh to derive a revenue, without being at the trouble of employing them themfelves, naturally accompanies the general increafe of capitals; or, in other words, as ftock increafes, the quantity of ftock to be

be lent at intereſt grows gradually greater and greater.

As the quantity of ſtock to be lent at intereſt increaſes, the intereſt, or the price which muſt be paid for the uſe of that ſtock, neceſſarily diminiſhes, not only from thoſe general cauſes which make the market price of things commonly diminiſh as their quantity increaſes, but from other cauſes which are peculiar to this particular caſe. As capitals increaſe in any country, the profits which can be made by employing them neceſſarily diminiſh. It becomes gradually more and more difficult to find within the country a profitable method of employing any new capital. There ariſes in conſequence a competition between different capitals, the owner of one endeavouring to get poſſeſſion of that employment which is occupied by another. But upon moſt occaſions he can hope to juſtle that other out of this employment , by no other means but by dealing upon more reaſonable terms. He muſt not only ſell what he deals in ſomewhat cheaper, but in order to get it to ſell, he muſt ſometimes too buy it dearer. The demand for productive labor, by the increaſe of the funds which are deſtined for maintaining it, grows every day greater and greater. Laborers eaſily find employment, but the owners of capitals find it difficult to get laborers to employ. Their competition raiſes the wages of labor, and ſinks the profits of ſtock. But when the profits which can be made by the uſe of a capital are in this manner diminiſhed, as it were, at both ends, the price which can be paid for the

ufe of it, that is, the rate of intereft, muft neceffarily be diminifhed with them.

Mr. Locke, Mr. Law, and Mr. Montefquieu, as well as many other writers, feem to have imagined that the increafe of the quantity of gold and filver, in confequence of the difcovery of the Spanifh Weft Indies, was the real caufe of the lowering of the rate of intereft through the greater part of Europe. Thofe metals, they fay, having become of lefs value themfelves, the ufe of any particular portion of them neceffarily became of lefs value too, and confequently the price which could be paid for it. This notion, which at firft fight feems fo plaufible, has been fo fully expofed by Mr. Hume, that it is, perhaps, unneceffary to fay any thing more about it. The following very fhort and plain argument, however, may ferve to explain more diftinctly the fallacy which feems to have mifled thofe gentlemen.

Before the difcovery of the Spanifh Weft-Indies, ten per cent. feems to have been the common rate of intereft through the greater part of Europe. It has fince that time in different countries funk to fix, five, four, and three per cent. Let us fuppofe that in every particular country the value of filver has funk precifely in the fame proportion as the rate of intereft; and that in thofe countries, for example, where intereft has been reduced from ten to five per cent., the fame quantity of filver can now purchafe juft half the quantity of goods which it could have purchafed before. This

fuppofition will not, I believe, be found any-where agreeable to the truth, but it is the moft favorable to the opinion which we are going to examine; and even upon this fuppofition it is utterly impoffible that the lowering of the value of filver could have the fmalleft tendency to lower the rate of intereft. If a hundred pounds are in thofe countries now of no more value than fifty pounds were then, ten pounds muft now be of no more value than five pounds were then. Whatever were the caufes which lowered the value of the capital, the fame muft neceffarily have lowered that of the intereft, and exactly in the fame proportion. The proportion between the value of the capital and that of the intereft, muft have remained the fame, though the rate had never been altered. By altering the rate, on the contrary, the proportion between thofe two values is neceffarily altered. If a hundred pounds now are worth no more than fifty were then, five pounds now can be worth no more than two pounds ten fhillings were then. By reducing the rate of intereft, therefore, from ten to five per cent., we give for the ufe of a capital, which is fuppofed to be equal to one-half of its former value, an intereft which is equal to one-fourth only of the value of the former intereft.

Any increafe in the quantity of filver, while that of the commodities circulated by means of it remained the fame, could have no other effect than to diminifh the value of that metal. The nominal value of all forts of goods would be greater, but their real value would be precifely

the ſame as before. They would be exchanged for a greater number of pieces of ſilver; but the quantity of labor which they could command, the number of people whom they could maintain and employ, would be preciſely the ſame. The capital of the country would be the ſame, though a greater number of pieces might be requiſite for conveying any equal portion of it from one hand to another. The deeds of aſſignment, like the conveyances of a verboſe attorney, would be more cumberſome, but the thing aſſigned would be preciſely the ſame as before, and could produce only the ſame effects. The funds for maintaining productive labor being the ſame, the demand for it would be the ſame. Its price or wages, therefore, though nominally greater, would really be the ſame. They would be paid in a greater number of pieces of ſilver; but they would purchaſe only the ſame quantity of goods. The profits of ſtock would be the ſame both nominally and really. The wages of labor are commonly computed by the quantity of ſilver which is paid to the laborer. When that is increaſed, therefore, his wages appear to be increaſed, though they may ſometimes be no greater than before. But the profits of ſtock are not computed by the number of pieces of ſilver with which they are paid, but by the proportion which thoſe pieces bear to the whole capital employed. Thus in a particular country five ſhillings a week are ſaid to be the common wages of labor, and ten per cent. the common profits of ſtock. But the whole capital of the country being the ſame

as before, the competition between the different capitals of individuals into which it was divided would likewise be the same. They would all trade with the same advantages and disadvantages. The common proportion between capital and profit, therefore, would be the same, and consequently the common interest of money; what can commonly be given for the use of money being necessarily regulated by what can commonly be made by the use of it.

Any increase in the quantity of commodities annually circulated within the country, while that of the money which circulated them remained the same, would, on the contrary, produce many other important effects, besides that of raising the value of the money. The capital of the country, though it might nominally be the same, would really be augmented. It might continue to be expressed by the same quantity of money, but it would command a greater quantity of labor. The quantity of productive labor which it could maintain and employ would be increased, and consequently the demand for that labor. Its wages would naturally rise with the demand, and yet might appear to sink. They might be paid with a smaller quantity of money, but that smaller quantity might purchase a greater quantity of goods than a greater had done before. The profits of stock would be diminished both really and in appearance. The whole capital of the country being augmented, the competition between the different capitals of which it was composed, would naturally be augmented along with it. The owners of those

particular capitals would be obliged to content themſelves with a ſmaller proportion of the produce of that labor which their reſpective capitals employed. The intereſt of money, keeping pace always with the profits of ſtock, might, in this manner, be greatly diminiſhed, though the value of money, or the quantity of goods which any particular ſum could purchaſe, was greatly augmented.

In ſome countries the intereſt of money has been prohibited by law. But as ſomething can every-where be made by the uſe of money, ſomething ought every-where to be paid for the uſe of it. This regulation, inſtead of preventing, has been found from experience to increaſe the evil of uſury; the debtor being obliged to pay, not only for the uſe of the money, but for the riſk which his creditor runs by accepting a compenſation for that uſe. He is obliged, if one may ſay ſo, to inſure his creditor from the penalties of uſury.

In countries where intereſt is permitted, the law, in order to prevent the extortion of uſury, generally fixes the higheſt rate which can be taken without incurring a penalty. This rate ought always to be ſomewhat above the loweſt market price, or the price which is commonly paid for the uſe of money by thoſe who can give the moſt undoubted ſecurity. If this legal rate ſhould be fixed below the loweſt market rate, the effects of this fixation muſt be nearly the ſame as thoſe of a total prohibition of intereſt. The creditor will not lend his money for leſs than the uſe of it is

worth, and the debtor muſt pay him for the riſk which he runs by accepting the full value of that uſe. If it is fixed preciſely at the loweſt market price, it ruins with honeſt people, who reſpect the laws of their country, the credit of all thoſe who cannot give the very beſt ſecurity, and obliges them to have recourſe to exorbitant uſurers. In a country, ſuch as Great Britain, where money is lent to government at three per cent. and to private people upon good ſecurity at four, and four and a half, the preſent legal rate, five per cent., is perhaps, as proper as any.

The legal rate, it is to be obſerved, though it ought to be ſomewhat above, ought not to be much above the loweſt market rate. If the legal rate of intereſt in Great Britain, for example, was fixed ſo high as eight or ten per cent., the greater part of the money which was to be lent, would be lent to prodigals and projectors, who alone would be willing to give this high intereſt. Sober people, who will give for the uſe of money no more than a part of what they are likely to make by the uſe of it, would not venture into the competition. A great part of the capital of the country would thus be kept out of the hands which were moſt likely to make a profitable and advantageous uſe of it, and thrown into thoſe which were moſt likely to waſte and deſtroy it. Where the legal rate of intereſt, on the contrary, is fixed but a very little above the loweſt market rate, ſober people are univerſally preferred, as borrowers, to prodigals and projectors. The perſon who lends money gets nearly as much

intereſt from the former as he dares to take from the latter, and his money is much ſafer in the hands of the one ſet of people, than in thoſe of the other. A great part of the capital of the country is thus thrown into the hands in which it is moſt likely to be employed with advantage.

No law can reduce the common rate of intereſt below the loweſt ordinary market rate at the time when that law is made. Notwithſtanding the edict of 1766, by which the French king attempted to reduce the rate of intereſt from five to four per cent., money continued to be lent in France at five per cent., the law being evaded in ſeveral different ways.

The ordinary market price of land, it is to be obſerved, depends every-where upon the ordinary market rate of intereſt. The perſon who has a capital from which he wiſhes to derive a revenue, without taking the trouble to employ it himſelf, deliberates whether he ſhould buy land with it, or lend it out at intereſt. The ſuperior ſecurity of land, together with ſome other advantages which almoſt every-where attend upon this ſpecies of property, will generally diſpoſe him to content himſelf with a ſmaller revenue from land, than what he might have by lending out his money at intereſt. Theſe advantages are ſufficient to compenſate a certain difference of revenue; but they will compenſate a certain difference only; and if the rent of land ſhould fall ſhort of the intereſt of money by a greater difference, nobody would buy land, which would ſoon reduce its ordinary price. On the contrary, if the

advantages ſhould much more than compenſate the difference, every body would buy land, which again would ſoon raiſe its ordinary price. When intereſt was at ten per cent., land was commonly ſold for ten and twelve years purchaſe. As intereſt ſunk to ſix, five, and four per cent., the price of land roſe to twenty, five-and-twenty, and thirty years purchaſe. The market rate of intereſt is higher in France than in England; and the common price of land is lower. In England it commonly ſells at thirty; in France at twenty years purchaſe.

CHAP. V.

Of the different Employment of Capitals.

THOUGH all capitals are deſtined for the maintenance of productive labor only, yet the quantity of that labor, which equal capitals are capable of putting into motion, varies extremely according to the diverſity of their employment; as does likewiſe the value which that employment adds to the annual produce of the land and labor of the country.

A capital may be employed in four different ways: either, firſt, in procuring the rude produce annually required for the uſe and conſumption of the ſociety; or ſecondly, in manufacturing and preparing that rude produce for immediate uſe and

confumption; or, thirdly, in tranfporting either the rude or manufactured produce from the places where they abound to thofe where they are wanted; or, laftly, in dividing particular portions of either into fuch fmall parcels as fuit the occafional demands of thofe who want them. In the firft way are employed the capitals of all thofe who undertake the improvement or cultivation of lands, mines, or fifheries; in the fecond, thofe of all mafter manufacturers; in the third, thofe of all wholefale merchants; and in the fourth, thofe of all retailers. It is difficult to conceive that a capital fhould be employed in any way which may not be claffed under fome one or other of thofe four.

Each of thofe four methods of employing a capital is effentially neceffary either to the exiftence or extenfion of the other three, or to the general conveniency of the fociety.

Unlefs a capital was employed in furnifhing rude produce to a certain degree of abundance, neither manufactures nor trade of any kind could exift.

Unlefs a capital was employed in manufacturing that part of the rude produce which requires a good deal of preparation before it can be fit for ufe and confumption, it either would never be produced, becaufe there could be no demand for it; or if it was produced fpontaneoufly, it would be of no value in exchange, and could add nothing to the wealth of the fociety.

Unlefs a capital was employed in tranfporting, either the rude or manufactured produce, from the places where it abounds to thofe where it is wanted, no more of either could be produced than was neceffary for the confumption of the neighbourhood. The capital of the merchant exchanges the furplus produce of one place for that of another, and thus encourages the induftry and increafes the enjoyments of both.

Unlefs a capital was employed in breaking and dividing certain portions either of the rude or manufactured produce, into fuch fmall parcels as fuit the occafional demands of thofe who want them, every man would be obliged to purchafe a greater quantity of the goods he wanted, than his immediate occafions required. If there was no fuch trade as a butcher, for example, every man would be obliged to purchafe a whole ox or a whole fheep at a time. This would generally be inconvenient to the rich, and much more fo to the poor. If a poor workman was obliged to purchafe a month's or fix months provifions at a time, a great part of the ftock which he employs as a capital in the inftruments of his trade, or in the furniture of his fhop, and which yields him a revenue, he would be forced to place in that part of his ftock which is referved for immediate confumption, and which yields him no revenue. Nothing can be more convenient for fuch a perfon than to be able to purchafe his fubfiftence from day to day, or even from hour to hour, as he wants it. He is thereby enabled to employ almoft his whole ftock as a

capital. He is thus enabled to furniſh work to a greater value, and the profit, which he makes by it in this way, much more than compenſates the additional price which the profit of the retailer impoſes upon the goods. The prejudices of ſome political writers againſt ſhopkeepers and tradeſmen, are altogether without foundation. So far is it from being neceſſary, either to tax them, or to reſtrict their numbers, that they can never be multiplied ſo as to hurt the public, though they may ſo as to hurt one another. The quantity of grocery goods, for example, which can be ſold in a particular town, is limited by the demand of that town and its neighbourhood. The capital, therefore, which can be employed in the grocery trade cannot exceed what is ſufficient to purchaſe that quantity. If this capital is divided between two different grocers, their competition will tend to make both of them ſell cheaper, than if it were in the hands of one only; and if it were divided among twenty, their competition would be juſt ſo much the greater, and the chance of their combining together, in order to raiſe the price, juſt ſo much the leſs. Their competition might perhaps ruin ſome of themſelves; but to take care of this is the buſineſs of the parties concerned, and it may ſafely be truſted to their diſcretion. It can never hurt either the conſumer, or the producer; on the contrary, it muſt tend to make the retailers both ſell cheaper and buy dearer, than if the whole trade was monopolized by one or two perſons. Some of them, perhaps, may ſometimes decoy a weak cuſtomer to buy what

he has no occafion for. This evil, however, is of too little importance to deferve the public attention, nor would it neceffarily be prevented by reftricting their numbers. It is not the multitude of ale-houfes, to give the moft fufpicious example, that occafions a general difpofition to drunkennefs among the common people; but that difpofition arifing from other caufes neceffarily gives employment to a multitude of ale-houfes.

The perfons whofe capitals are employed in any of thofe four ways are themfelves productive laborers. Their labor, when properly directed, fixes and realizes itfelf in the fubject or vendible commodity upon which it is beftowed, and generally adds to its price the value at leaft of their own maintenance and confumption. The profits of the farmer, of the manufacturer, of the merchant, and retailer, are all drawn from the price of the goods which the two firft produce, and the two laft buy and fell. Equal capitals, however, employed in each of thofe four different ways, will immediately put into motion very different quantities of productive labor, and augment too in very different proportions the value of the annual produce of the land and labor of the fociety to which they belong.

The capital of the retailer replaces, together with its profits, that of the merchant of whom he purchafes goods, and thereby enables him to continue his bufinefs. The retailer himfelf is the only productive laborer whom it immediately employs. In his profits, confifts the

whole value which its employment adds to the annual produce of the land and labor of the ſociety.

The capital of the wholeſale merchant replaces, together with their profits, the capitals of the farmers and manufacturers of whom he purchaſes the rude and manufactured produce which he deals in, and thereby enables them to continue their reſpective trades. It is by this ſervice chiefly that he contributes indirectly to ſupport the productive labor of the ſociety, and to increaſe the value of its annual produce. His capital employs too the ſailors and carriers who tranſport his goods from one place to another, and it augments the price of thoſe goods by the value, not only of his profits, but of their wages. This is all the productive labor which it immediately puts into motion, and all the value which it immediately adds to the annual produce. Its operation in both theſe reſpects is a good deal ſuperior to that of the capital of the retailer.

Part of the capital of the maſter manufacturer is employed as a fixed capital in the inſtruments of his trade, and replaces, together with its profits, that of ſome other artificer of whom he purchaſes them. Part of his circulating capital is employed in purchaſing materials, and replaces, with their profits, the capitals of the farmers and miners of whom he purchaſes them. But a great part of it is always, either annually, or in a much ſhorter period, diſtributed among the different workmen whom he employs. It augments the value of thoſe materials by their wages, and by

their maſters' profits upon the whole ſtock of wages, materials, and inſtruments of trade employed in the buſineſs. It puts immediately into motion, therefore, a much greater quantity of productive labor, and adds a much greater value to the annual produce of the land and labor of the ſociety, than an equal capital in the hands of any wholeſale merchant.

No equal capital puts into motion a greater quantity of productive labor than that of the farmer. Not only his laboring ſervants, but his laboring cattle, are productive laborers.* In agriculture too, nature labors along with man; and though her labor coſts no expenſe, its produce has its value, as well as that of the moſt expenſive workmen. The moſt important operations of agriculture ſeem intended, not ſo much to increaſe, though they do that too, as to direct the fertility of nature towards the production of the plants moſt profitable to man. A field overgrown with briars and brambles may frequently produce as great a quantity of vegetables as the beſt cultivated vineyard or corn field. Planting and tillage frequently regulate more than they animate the active fertility of nature; and after all their labor, a great part of the work always remains to be done by her. The laborers and laboring cattle, therefore, employed in agriculture, not only occaſion, like the workmen in manufactures, the reproduction of a value equal to their own conſumption, or to the capital which employs them, together with its owners' profits; but of a much greater value. Over and above

the capital of the farmer and all its profits, they regularly occafion the reproduction of the rent of the landlord. This rent may be confidered as the produce of thofe powers of nature, the ufe of which the landlord lends to the farmer. It is greater or fmaller according to the fuppofed extent of thofe powers, or in other words, according to the fuppofed natural or improved fertility of the land. It is the work of nature which remains after deducting or compenfating every thing which can be regarded as the work of man. It is feldom lefs than a fourth, and frequently more than a third of the whole produce. No equal quantity of productive labor employed in manufactures can ever occafion fo great a reproduction. In them nature does nothing; man does all; and the reproduction muft always be in proportion to the ftrength of the agents that occafion it. The capital employed in agriculture, therefore, not only puts into motion a greater quantity of productive labor than any equal capital employed in manufactures, but in proportion too to the quantity of productive labor which it employs, it adds a much greater value to the annual produce of the land and labor of the country, to the real wealth and revenue of its inhabitants. Of all the ways in which a capital can be employed, it is by far the moft advantageous to the fociety.

The capitals employed in the agriculture and in the retail trade of any fociety, muft always refide within that fociety. Their employment is confined almoft to a precife fpot, to the farm,

and to the ſhop of the retailer. They muſt generally too, though there are ſome exceptions to this, belong to reſident members of the ſociety.

The capital of a wholeſale merchant, on the contrary, ſeems to have no fixed or neceſſary reſidence any-where, but may wander about from place to place, according as it can either buy cheap or ſell dear.

The capital of the manufacturer muſt no doubt reſide where the manufacture is carried on; but where this ſhall be is not always neceſſarily determined. It may frequently be at a great diſtance both from the place where the materials grow, and from that where the compleat manufacture is conſumed. Lyons is very diſtant both from the places which afford the materials of its manufactures, and from thoſe which conſume them. The people of faſhion in Sicily are clothed in ſilks made in other countries, from the materials which their own produces. Part of the wool of Spain is manufactured in Great Britain, and ſome part of that cloth is afterwards ſent back to Spain.

Whether the merchant whoſe capital exports the ſurplus produce of any ſociety be a native or a foreigner, is of very little importance. If he is a foreigner, the number of their productive laborers is neceſſarily leſs than if he had been a native by one man only; and the value of their annual produce, by the profits of that one man. The ſailors or carriers whom he employs may ſtill belong indifferently either to his country, or to their country, or to ſome third country, in the

ſame manner as if he had been a native. The capital of a foreigner gives a value to their ſurplus produce equally with that of a native, by exchanging it for ſomething for which there is a demand at home. It as effectually replaces the capital of the perſon who produces that ſurplus, and as effectually enables him to continue his buſineſs; the ſervice by which the capital of a wholeſale merchant chiefly contributes to ſupport the productive labor, and to augment the value of the annual produce of the ſociety to which he belongs.

It is of more conſequence that the capital of the manufacturer ſhould reſide within the country. It neceſſarily puts into motion a greater quantity of productive labor, and adds a greater value to the annual produce of the land and labor of the ſociety. It may, however, be very uſeful to the country, though it ſhould not reſide within it. The capitals of the Britiſh manufacturers who work up the flax and hemp annually imported from the coaſts of the Baltic, are ſurely very uſeful to the countries which produce them. Thoſe materials are a part of the ſurplus produce of thoſe countries which, unleſs it was annually exchanged for ſomething which is in demand there, would be of no value, and would ſoon ceaſe to be produced. The merchants who export it, replace the capitals of the people who produce it, and thereby encourage them to continue the production; and the Britiſh manufacturers replace the capitals of thoſe merchants.

A particular country, in the fame manner as a particular perfon, may frequently not have capital fufficient both to improve and cultivate all its lands, to manufacture and prepare their whole rude produce for immediate ufe and confumption, and to tranfport the furplus part either of the rude or manufactured produce to thofe diftant markets where it can be exchanged for fomething for which there is a demand at home. The inhabitants of many different parts of Great Britain have not capital fufficient to improve and cultivate all their lands. The wool of the fouthern counties of Scotland is, a great part of it, after a long land carriage through very bad roads, manufactured in Yorkfhire, for want of a capital to manufacture it at home. There are many little manufacturing towns in Great Britain, of which the inhabitants have not capital fufficient to tranfport the produce of their own induftry to thofe diftant markets where there is demand and confumption for it. If there are any merchants among them, they are properly only the agents of wealthier merchants who refide in fome of the greater commercial cities.

When the capital of any country is not fufficient for all thofe three purpofes, in proportion as a greater fhare of it is employed in agriculture, the greater will be the quantity of productive labor which it puts into motion within the country; as will likewife be the value which its employment adds to the annual produce of the land and labor of the fociety. After agriculture, the capital employed in manufactures

puts into motion the greateſt quantity of productive labor, and adds the greateſt value to the annual produce. That which is employed in the trade of exportation, has the leaſt effect of any of the three.

The country, indeed, which has not capital ſufficient for all thoſe three purpoſes, has not arrived at that degree of opulence for which it ſeems naturally deſtined. To attempt, however, prematurely and with an inſufficient capital, to do all the three, is certainly not the ſhorteſt way for a ſociety, no more than it would be for an individual, to acquire a ſufficient one. The capital of all the individuals of a nation, has its limits in the ſame manner as that of a ſingle individual, and is capable of executing only certain purpoſes. The capital of all the individuals of a nation is increaſed in the ſame manner as that of a ſingle individual, by their continually accumulating and adding to it whatever they ſave out of their revenue. It is likely to increaſe the faſteſt, therefore, when it is employed in the way that affords the greateſt revenue to all the inhabitants of the country, as they will thus be enabled to make the greateſt ſavings. But the revenue of all the inhabitants of the country is neceſſarily in proportion to the value of the annual produce of their land and labor.

It has been the principal cauſe to the rapid progreſs of our American colonies towards wealth and greatneſs, that almoſt their whole capitals have hitherto been employed in agriculture. They have no manufactures, thoſe houſhold and

coarser manufactures excepted which neceſſarily accompany the progreſs of agriculture, and which are the work of the women and children in every private family. The greater part both of the exportation and coaſting trade of America, is carried on by the capitals of merchants who reſide in Great Britain. Even the ſtores and warehouſes from which goods are retailed in ſome provinces, particularly in Virginia and Maryland, belong many of them to merchants who reſide in the mother country, and afford one of the few inſtances of the retail trade of a ſociety being carried on by the capitals of thoſe who are not reſident members of it. Were the Americans, either by combination or by any other ſort of violence, to ſtop the importation of European manufactures, and, by thus giving a monopoly to ſuch of their own countrymen as could manufacture the like goods, divert any conſiderable part of their capital into this employment, they would retard inſtead of accelerating the further increaſe in the value of their annual produce, and would obſtruct inſtead of promoting the progreſs of their country towards real wealth and greatneſs. This would be ſtill more the caſe, were they to attempt, in the ſame manner, to monopolize to themſelves their whole exportation trade.

The courſe of human proſperity, indeed, ſeems ſcarce ever to have been of ſo long continuance as to enable any great country to acquire capital ſufficient for all thoſe three purpoſes; unleſs, perhaps, we give credit to the wonderful accounts of the wealth and cultivation of China,

of thoſe of ancient Egypt, and of the ancient ſtate of Indoſtan. Even thoſe three countries, the wealthieſt, according to all accounts, that ever were in the world, are chiefly renowned for their ſuperiority in agriculture and manufactures. They do not appear to have been eminent for foreign trade. The ancient Egyptians had a ſuperſtitious antipathy to the ſea; a ſuperſtition nearly of the ſame kind prevails among the Indians; and the Chineſe have never excelled in foreign commerce. The greater part of the ſurplus produce of all thoſe three countries ſeems to have been always exported by foreigners, who gave in exchange for it ſomething elſe for which they found a demand there, frequently gold and ſilver.

It is thus that the ſame capital will in any country put into motion a greater or ſmaller quantity of productive labor, and add a greater or ſmaller value to the annual produce of its land and labor, according to the different proportions in which it is employed in agriculture, manufactures, and wholeſale trade. The difference too is very great, according to the different ſorts of wholeſale trade in which any part of it is employed.

All wholeſale trade, all buying in order to ſell again by wholeſale, may be reduced to three different ſorts. The home trade, the foreign trade of conſumption, and the carrying trade. The home trade is employed in purchaſing in one part of the ſame country, and ſelling in another,

the produce of the induſtry of that country. It comprehends both the inland and the coaſting trade. The foreign trade of conſumption is employed in purchaſing foreign goods for home conſumption. The carrying trade is employed in tranſacting the commerce of foreign countries, or in carrying the ſurplus produce of one to another.

The capital which is employed in purchaſing in one part of the country in order to ſell in another the produce of the induſtry of that country, generally replaces by every ſuch operation two diſtinct capitals that had both been employed in the agriculture or manufactures of that country, and thereby enables them to continue that employment. When it ſends out from the reſidence of the merchant a certain value of commodities, it generally brings back in return at leaſt an equal value of other commodities. When both are the produce of domeſtic induſtry, it neceſſarily replaces by every ſuch operation two diſtinct capitals, which had both been employed in ſupporting productive labor, and thereby enables them to continue that ſupport. The capital which ſends Scotch manufactures to London, and brings back Engliſh corn and manufactures to Edinburgh, neceſſarily replaces, by every ſuch operation, two Britiſh capitals which had both been employed in the agriculture or manufactures of Great Britain.

The capital employed in purchaſing foreign goods for home-conſumption, when this purchaſe is made with the produce of domeſtic induſtry,

replaces too, by every fuch operation, two diftinct capitals; but one of them only is employed in fupporting domeftic induftry. The capital which fends Britifh goods to Portugal, and brings back Portuguefe goods to Great Britain, replaces by every fuch operation only one Britifh capital. The other is a Portuguefe one. Though the returns, therefore, of the foreign trade of confumption fhould be as quick as thofe of the home-trade, the capital employed in it will give but one-half the encouragement to the induftry or productive labor of the country.

But the returns of the foreign trade of confumption are very feldom fo quick as thofe of the home-trade. The returns of the home-trade generally come in before the end of the year, and fometimes three or four times in the year. The returns of the foreign trade of confumption feldom come in before the end of the year, and fometimes not till after two or three years. A capital, therefore, employed in the home-trade will fometimes make twelve operations, or be fent out and returned twelve times, before a capital employed in the foreign trade of confumption has made one. If the capitals are equal, therefore, the one will give four-and-twenty times more encouragement and fupport to the induftry of the country than the other.

The foreign goods for home-confumption may fometimes be purchafed, not with the produce of domeftic induftry, but with fome other foreign goods. Thefe laft, however, muft have been purchafed either immediately with the produce

of domeftic induftry, or with fomething elfe that had been purchafed with it; for, the cafe of war and conqueft excepted, foreign goods can never be acquired, but in exchange for fomething that had been produced at home, either immediately, or after two or more different exchanges. The effects therefore, of a capital employed in fuch a round-about foreign trade of confumption, are, in every refpect, the fame as thofe of one employed in the moft direct trade of the fame kind, except that the final returns are likely to be ftill more diftant, as they muft depend upon the returns of two or three diftinct foreign trades. If the flax and hemp of Riga are purchafed with the tobacco of Virginia, which had been purchafed with Britifh manufactures, the merchant muft wait for the returns of two diftinct foreign trades before he can employ the fame capital in re-purchafing a like quantity of Britifh manufactures. If the tobacco of Virginia had been purchafed, not with Britifh manufactures, but with the fugar and rum of Jamaica which had been purchafed with thofe manufactures, he muft wait for the returns of three. If thofe two or three diftinct foreign trades fhould happen to be carried on by two or three diftinct merchants, of whom the fecond buys the goods imported by the firft, and the third buys thofe imported by the fecond, in order to export them again, each merchant indeed will in this cafe receive the returns of his own capital more quickly; but the final returns of the whole capital employed in the trade will be juft as flow as

ever. Whether the whole capital employed in ſuch a round-about trade belong to one merchant or to three, can make no difference with regard to the country, though it may with regard to the particular merchants. Three times a greater capital muſt in both caſes be employed, in order to exchange a certain value of Britiſh manufactures for a certain quantity of flax and hemp, than would have been neceſſary, had the manufactures and the flax and hemp been directly exchanged for one another. The whole capital employed, therefore, in ſuch a round-about foreign trade of conſumption, will generally give leſs encouragement and ſupport to the productive labor of the country, than an equal capital employed in a more direct trade of the ſame kind.

Whatever be the foreign commodity with which the foreign goods for home-conſumption are purchaſed, it can occaſion no eſſential difference either in the nature of the trade, or in the encouragement and ſupport which it can give to the productive labor of the country from which it is carried on. If they are purchaſed with the gold of Brazil, for example, or with the ſilver of Peru, this gold and ſilver, like the tobacco of Virginia, muſt have been purchaſed with ſomething that either was the produce of the induſtry of the country, or that had been purchaſed with ſomething elſe that was ſo. So far, therefore, as the productive labor of the country is concerned, the foreign trade of conſumption which is carried on by means of gold and ſilver, has all

the advantages and all the inconveniencies of any other equally round-about foreign trade of consumption, and will replace juſt as faſt or juſt as ſlow the capital which is immediately employed in ſupporting that productive labor. It ſeems even to have one advantage over any other equally round-about fóreign trade. The tranſportation of thoſe metals from one place to another, on account of their ſmall bulk and great value, is leſs expenſive than that of almoſt any other foreign goods of equal value. Their freight is much leſs, and their inſurance not greater; and no goods, beſides, are leſs liable to ſuffer by the carriage. An equal quantity of foreign goods, therefore, may frequently be purchaſed with a ſmaller quantity of the produce of domeſtic induſtry, by the intervention of gold and ſilver, than by that of any other foreign goods. The demand of the country may frequently, in this manner, be ſupplied more compleatly and at a ſmaller expenſe than in any other. Whether, by the continual exportation of thoſe metals, a trade of this kind is likely to impoveriſh the country from which it is carried on, in any other way, I ſhall have occaſion to examine at great length hereafter.

That part of the capital of any country which is employed in the carrying trade, is altogether withdrawn from ſupporting the productive labor of that particular country, to ſupport that of ſome foreign countries. Though it may replace by every operation two diſtinct capitals, yet neither of them belongs to that particular

country. The capital of the Dutch merchant, which carries the corn of Poland to Portugal, and brings back the fruits and wines of Portugal to Poland, replaces by every ſuch operation two capitals, neither of which had been employed in ſupporting the productive labor of Holland; but one of them in ſupporting that of Poland, and the other that of Portugal. The profits only return regularly to Holland, and conſtitute the whole addition which this trade neceſſarily makes to the annual produce of the land and labor of that country. When, indeed, the carrying trade of any particular country is carried on with the ſhips and ſailors of that country, that part of the capital employed in it which pays the freight, is diſtributed among, and puts into motion, a certain number of productive laborers of that country. Almoſt all nations that have had any conſiderable ſhare of the carrying trade have, in fact, carried it on in this manner. The trade itſelf has probably derived its name from it, the people of ſuch countries being the carriers to other countries. It does not, however, ſeem eſſential to the nature of the trade that it ſhould be ſo. A Dutch merchant may, for example, employ his capital in tranſacting the commerce of Poland and Portugal, by carrying part of the ſurplus produce of the one to the other, not in Dutch, but in Britiſh bottoms. It may be preſumed, that he actually does ſo upon ſome particular occaſions. It is upon this account, however, that the carrying trade has been ſuppoſed peculiarly advantageous to ſuch a country as Great

Britain, of which the defence and ſecurity depend upon the number of its ſailors and ſhipping. But the ſame capital may employ as many ſailors and ſhipping, either in the foreign trade of conſumption, or even in the home-trade, when carried on by coaſting veſſels, as it could in the carrying trade. The number of ſailors and ſhipping which any particular capital can employ, does not depend upon the nature of the trade, but partly upon the bulk of the goods in proportion to their value, and partly upon the diſtance of the ports between which they are to be carried; chiefly upon the former of thoſe two circumſtances. The coal-trade from Newcaſtle to London, for example, employs more ſhipping than all the carrying trade of England, though the ports are at no great diſtance. To force, therefore, by extraordinary encouragements, a larger ſhare of the capital of any country into the carrying trade, than what would naturally go to it, will not always neceſſarily increaſe the ſhipping of that country.

The capital, therefore, employed in the home-trade of any country will generally give encouragement and ſupport to a greater quantity of productive labor in that country, and increaſe the value of its annual produce more than an equal capital employed in the foreign trade of conſumption: and the capital employed in this latter trade has in both theſe reſpects a ſtill greater advantage over an equal capital employed in the carrying trade. The riches, and ſo far as power depends upon riches, the power of every country,

muſt always be in proportion to the value of its annual produce, the fund from which all taxes muſt ultimately be paid. But the great object of the political œconomy of every country, is to increaſe the riches and power of that country. It ought, therefore, to give no preference nor ſuperior encouragement to the foreign trade of conſumption above the home-trade, nor to the carrying trade above either of the other two. It ought neither to force nor to allure into either of thoſe two channels, a greater ſhare of the capital of the country than what would naturally flow into them of its own accord.

Each of thoſe different branches of trade, however, is not only advantageous, but neceſſary and unavoidable, when the courſe of things, without any conſtraint or violence, naturally introduces it.

When the produce of any particular branch of induſtry exceeds what the demand of the country requires, the ſurplus muſt be ſent abroad, and exchanged for ſomething for which there is a demand at home. Without ſuch exportation, a part of the productive labor of the country muſt ceaſe, and the value of its annual produce diminiſh. The land and labor of Great Britain produce generally more corn, woollens, and hard ware, than the demand of the home-market requires. The ſurplus part of them, therefore, muſt be ſent abroad, and exchanged for ſomething for which there is a demand at home. It is only by means of ſuch exportation, that this ſurplus can acquire a value ſufficient to

compenſate the labor and expenſe of producing it. The neighbourhood of the ſea coaſt, and the banks of all navigable rivers, are advantageous ſituations for induſtry, only becauſe they facilitate the exportation and exchange of ſuch ſurplus produce for ſomething elſe which is more in demand there.

When the foreign goods which are thus purchaſed with the ſurplus produce of domeſtic induſtry exceed the demand of the home-market, the ſurplus part of them muſt be ſent abroad again, and exchanged for ſomething more in demand at home. About ninety-ſix thouſand hogſheads of tobacco are annually purchaſed in Virginia and Maryland, with a part of the ſurplus produce of Britiſh induſtry. But the demand of Great Britain does not require, perhaps, more than fourteen thouſand. If the remaining eighty-two thouſand, therefore, could not be ſent abroad and exchanged for ſomething more in demand at home, the importation of them muſt ceaſe immediately, and with it the productive labor of all thoſe inhabitants of Great Britain, who are at preſent employed in preparing the goods with which theſe eighty-two thouſand hogſheads are annually purchaſed. Thoſe goods, which are part of the produce of the land and labor of Great Britain, having no market at home, and being deprived of that which they had abroad, muſt ceaſe to be produced. The moſt round-about foreign trade of conſumption, therefore, may, upon ſome occaſion, be as neceſſary for ſupporting the productive

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labor of the country, and the value of its annual produce, as the moſt direct.

When the capital ſtock of any country is increaſed to ſuch a degree, that it cannot be all employed in ſupplying the conſumption, and ſupporting the productive labor of that particular country, the ſurplus part of it naturally diſgorges itſelf into the carrying trade, and is employed in performing the ſame offices to other countries. The carrying trade is the natural effect and ſymptom of great national wealth; but it does not ſeem to be the natural cauſe of it. Thoſe ſtateſmen who have been diſpoſed to favor it with particular encouragements, ſeem to have miſtaken the effect and ſymptom for the cauſe. Holland, in proportion to the extent of the land and the number of its inhabitants, by far the richeſt country in Europe, has, accordingly, the greateſt ſhare of the carrying trade of Europe. England, perhaps the ſecond richeſt country of Europe, is likewiſe ſuppoſed to have a conſiderable ſhare of it; though what commonly paſſes for the carrying trade of England, will frequently, perhaps, be found to be no more than a round-about foreign trade of conſumption. Such are, in a great meaſure, the trades which carry the goods of the Eaſt and Weſt Indies, and of America, to different European markets. Thoſe goods are generally purchaſed either immediately with the produce of Britiſh induſtry, or with ſomething elſe which had been purchaſed with that produce, and the final returns of thoſe trades are generally uſed or conſumed

in Great Britain. The trade which is carried on in Britifh bottoms between the different ports of the Mediterranean, and fome trade of the fame kind carried on by Britifh merchants between the different ports of India, make, perhaps, the principal branches of what is properly the carrying trade of Great Britain.

The extent of the home-trade and of the capital which can be employed in it, is neceffarily limited by the value of the furplus produce of all thofe diftant places within the country which have occafion to exchange their refpective productions with one another. That of the foreign trade of confumption, by the value of the furplus produce of the whole country and of what can be purchafed with it. That of the carrying trade by the value of the furplus produce of all the different countries in the world. Its poffible extent, therefore, is in a manner infinite in comparifon of that of the other two, and is capable of abforbing the greateft capitals.

The confideration of his own private profit, is the fole motive which determines the owner of any capital to employ it either in agriculture, in manufactures, or in fome particular branch of the wholefale or retail trade. The different quantities of productive labor which it may put into motion, and the different values which it may add to the annual produce of the land and labor of the fociety, according as it is employed in one or other of thofe different ways never enter into his thoughts. In countries, therefore, where agriculture is the moft profitable of all

employments, and farming and improving the moſt direct roads to a ſplendid fortune, the capitals of individuals will naturally be employed in the manner moſt advantageous to the whole ſociety. The profits of agriculture, however, ſeem to have no ſuperiority over thoſe of other employments in any part of Europe. Projectors, indeed, in every corner of it, have within theſe few years amuſed the public with moſt magnificent accounts of the profits to be made by the cultivation and improvement of land. Without entering into any particular diſcuſſion of their calculations, a very ſimple obſervation may ſatisfy us that the reſult of them muſt be falſe. We ſee every day the moſt ſplendid fortunes that have been acquired in the courſe of a ſingle life by trade and manufactures, frequently from a very ſmall capital, ſometimes from no capital. A ſingle inſtance of ſuch a fortune acquired by agriculture in the ſame time, and from ſuch a capital, has not, perhaps, occurred in Europe during the courſe of the preſent century. In all the great countries of Europe, however, much good land ſtill remains uncultivated, and the greater part of what is cultivated, is far from being improved to the degree of which it is capable. Agriculture, therefore, is almoſt everywhere capable of abſorbing a much greater capital than has ever yet been employed in it. What circumſtances in the policy of Europe have given the trades which are carried on in towns ſo great an advantage over that which is carried on in the country, that private perſons frequently find

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it more for their advantage to employ their capitals in the moſt diſtant carrying trades of Aſia and America, than in the improvement and cultivation of the moſt fertile fields in their own neighbourhood, I ſhall endeavour to explain at full length in the two following books.

BOOK III.

Of the different Progress of Opulence in different Nations.

CHAP. I.

Of the natural Progress of Opulence.

THE great commerce of every civilized society, is that carried on between the inhabitants of the town and those of the country. It consists in the exchange of rude for manufactured produce, either immediately, or by the intervention of money, or of some sort of paper which represents money. The country supplies the town with the means of subsistence, and the materials of manufacture. The town repays this supply by sending back a part of the manufactured produce to the inhabitants of the country. The town, in which there neither is nor can be any reproduction of substances, may very properly be said to gain its whole wealth and subsistence from the country. We must not however, upon this account, imagine that the gain of the town is the loss of the country. The gains of both are mutual and reciprocal, and the division of labor is in this, as in all other cases, advantageous to all the different persons employed in the various occupations into which it is subdivided.

The inhabitants of the country purchafe of the town a greater quantity of manufactured goods, with the produce of a much fmaller quantity of their own labor, than they muft have employed had they attempted to prepare them themfelves. The town affords a market for the furplus produce of the country, or what is over and above the maintenance of the cultivators, and it is there that the inhabitants of the country exchange it for fomething elfe which is in demand among them. The greater the number and revenue of the inhabitants of the town, the more extenfive is the market which it affords to thofe of the country; and the more extenfive that market, it is always the more advantageous to a great number. The corn which grows within a mile of the town, fells there for the fame price with that which comes from twenty miles diftance. But the price of the latter muft generally, not only pay the expenfe of raifing and bringing it to market, but afford too the ordinary profits of agriculture to the farmer. The proprietors and cultivators of the country, therefore, which lies in the neighbourhood of the town, over and above the ordinary profits of agriculture, gain, in the price of what they fell, the whole value of the carriage of the like produce that is brought from more diftant parts, and they fave, befides, the whole value of this carriage in the price of what they buy. Compare the cultivation of the lands in the neighbourhood of any confiderable town, with that of thofe which lie at fome diftance

from it, and you will eaſily ſatisfy yourſelf how much the country is benefited by the commerce of the town. Among all the abſurd ſpeculations that have been propagated concerning the balance of trade, it has never been pretended that either the country loſes by its commerce with the town, or the town by that with the country which maintains it.

As ſubſiſtence is, in the nature of things, prior to conveniency and luxury, ſo the induſtry which procures the former, muſt neceſſarily be prior to that which miniſters to the latter. The cultivation and improvement of the country, therefore, which affords ſubſiſtence, muſt, neceſſarily, be prior to the increaſe of the town, which furniſhes only the means of conveniency and luxury. It is the ſurplus produce of the country only, or what is over and above the maintenance of the cultivators, that conſtitutes the ſubſiſtence of the town, which can therefore increaſe only with the increaſe of this ſurplus produce. The town, indeed, may not always derive its whole ſubſiſtence from the country in its neighbourhood, or even from the territory to which it belongs, but from very diſtant countries; and this, though it forms no exception from the general rule, has occaſioned conſiderable variations in the progreſs of opulence in different ages and nations.

That order of things which neceſſity impoſes in general, though not in every particular country, is, in every particular country, promoted by the natural inclinations of man. If human

inſtitutions had never thwarted thoſe natural inclinations, the towns could no-where have increaſed beyond what the improvement and cultivation of the territory in which they were ſituated could ſupport; till ſuch time, at leaſt, as the whole of that territory was compleatly cultivated and improved. Upon equal or nearly equal profits, moſt men will chuſe to employ their capitals rather in the improvement and cultivation of land, than either in manufactures or in foreign trade. The man who employs his capital in land, has it more under his view and command, and his fortune is much leſs liable to accidents, than that of the trader, who is obliged frequently to commit it, not only to the winds and the waves, but to the more uncertain elements of human folly and injuſtice, by giving great credits in diſtant countries to men, with whoſe character and ſituation he can ſeldom be thoroughly acquainted. The capital of the landlord, on the contrary, which is fixed in the improvement of his land, ſeems to be as well ſecured as the nature of human affairs can admit of. The beauty of the country beſides, the pleaſures of a country life, the tranquillity of mind which it promiſes, and wherever the injuſtice of human laws does not diſturb it, the independency which it really affords, have charms that more or leſs attract every body; and as to cultivate the ground was the original deſtination of man, ſo in every ſtage of his exiſtence he ſeems to retain a predilection for this primitive employment.

Without the aſſiſtance of ſome artificers, indeed, the cultivation of land cannot be carried on, but with great inconveniency and continual interruption. Smiths, carpenters, wheel-wrights, and plough-wrights, maſons, and bricklayers, tanners, ſhoemakers, and taylors, are people, whoſe ſervice the farmer has frequent occaſion for. Such artificers too ſtand, occaſionally, in need of the aſſiſtance of one another; and as their reſidence is not, like that of the farmer, neceſſarily tied down to a preciſe ſpot, they naturally ſettle in the neighbourhood of one another, and thus form a ſmall town or village. The butcher, the brewer, and the baker, ſoon join them, together with many other artificers and retailers, neceſſary or uſeful for ſupplying their occaſional wants, and who contribute ſtill further to augment the town. The inhabitants of the town and thoſe of the country are mutually the ſervants of one another. The town is a continual fair or market, to which the inhabitants of the country reſort, in order to exchange their rude for manufactured produce. It is this commerce which ſupplies the inhabitants of the town with the materials of their work, and the means of their ſubſiſtence. The quantity of the finiſhed work which they ſell to the inhabitants of the country, neceſſarily regulates the quantity of the materials and proviſions which they buy. Neither their employment nor ſubſiſtence, therefore, can augment, but in proportion to the augmentation of the demand from the country for finiſhed work; and this demand can augment

only in proportion to the extenſion of improvement and cultivation. Had human inſtitutions, therefore, never diſturbed the natural courſe of things, the progreſſive wealth and increaſe of the towns would, in every political ſociety, be conſequential, and in proportion to the improvement and cultivation of the territory or country.

In our North American colonies, where uncultivated land is ſtill to be had upon eaſy terms, no manufactures for diſtant ſale have ever yet been eſtabliſhed in any of their towns. When an artificer has acquired a little more ſtock than is neceſſary for carrying on his own buſineſs in ſupplying the neighbouring country, he does not, in North America, attempt to eſtabliſh with it a manufacture for more diſtant ſale, but employs it in the purchaſe and improvement of uncultivated land. From artificer he becomes planter, and neither the large wages nor the eaſy ſubſiſtence which that country affords to artificers, can bribe him rather to work for other people than for himſelf. He feels that an artificer is the ſervant of his cuſtomers, from whom he derives his ſubſiſtence; but that a planter who cultivates his own land, and derives his neceſſary ſubſiſtence from the labor of his own family, is really a maſter, and independent of all the world.

In countries, on the contrary, where there is either no uncultivated land, or none that can be had upon eaſy terms; every artificer who has acquired more ſtock than he can employ in the occaſional jobs of the neighbourhood, endeavours to

prepare work for more diſtant ſale. The ſmith erects ſome ſort of iron, the weaver ſome ſort of linen or woollen manufactory. Thoſe different manufactures come, in proceſs of time, to be gradually ſubdivided, and thereby improved and refined in a great variety of ways, which may eaſily be conceived, and which it is therefore unneceſſary to explain any further.

In ſeeking for employment to a capital, manufactures are, upon equal or nearly equal profits, naturally preferred to foreign commerce, for the ſame reaſon that agriculture is naturally preferred to manufactures. As the capital of the landlord or farmer is more ſecure than that of the manufacturer, ſo the capital of the manufacturer, being at all times more within his view and command, is more ſecure than that of the foreign merchant. In every period, indeed, of every ſociety, the ſurplus part both of the rude and manufactured produce, or that for which there is no demand at home, muſt be ſent abroad in order to be exchanged for ſomething for which there is ſome demand at home. But whether the capital, which carries this ſurplus produce abroad, be a foreign or a domeſtic one, is of very little importance. If the ſociety has not acquired ſufficient capital both to cultivate all its lands, and to manufacture in the compleateſt manner the whole of its rude produce, there is even a conſiderable advantage that that rude produce ſhould be exported by a foreign capital, in order that the whole ſtock of the ſociety may be employed in more uſeful purpoſes. The

wealth of ancient Egypt, that of China and Indoftan, fufficiently demonftrate that a nation may attain a very high degree of opulence, though the greater part of its exportation trade be carried on by foreigners. The progrefs of our North American and Weft Indian colonies would have been much lefs rapid, had no capital but what belonged to themfelves been employed in exporting their furplus produce.

According to the natural courfe of things, therefore, the greater part of the capital of every growing fociety is, firft, directed to agriculture, afterwards to manufactures, and laft of all to foreign commerce. This order of things is fo very natural, that in every fociety that had any territory, it has always, I believe, been in fome degree obferved. Some of their lands muft have been cultivated before any confiderable towns could be eftablifhed, and fome fort of coarfe induftry of the manufacturing kind muft have been carried on in thofe towns, before they could well think of employing themfelves in foreign commerce.

But though this natural order of things muft have taken place in fome degree in every fuch fociety, it has, in all the modern ftates of Europe, been, in many refpects, entirely inverted. The foreign commerce of fome of their cities has introduced all their finer manufactures, or fuch as were fit for diftant fale; and manufactures and foreign commerce together, have given birth to the principal improvements of agriculture. The manners and cuftoms which the nature of

their original government introduced, and which remained after that government was greatly altered, neceſſarily forced them into this unnatural and retrograde order.

CHAP. II.

Of the Diſcouragement of Agriculture in the ancient State of Europe after the Fall of the Roman Empire.

WHEN the German and Scythian nations over-ran the weſtern provinces of the Roman empire, the confuſions which followed ſo great a revolution laſted for ſeveral centuries. The rapine and violence which the barbarians exerciſed againſt the ancient inhabitants, interrupted the commerce between the towns and the country. The towns were deſerted, and the country was left uncultivated, and the weſtern provinces of Europe, which had enjoyed a conſiderable degree of opulence under the Roman empire, ſunk into the loweſt ſtate of poverty and barbariſm. During the continuance of thoſe confuſions, the chiefs and principal leaders of thoſe nations, acquired or uſurped to themſelves the greater part of the lands of thoſe countries. A great part of them was uncultivated; but no part of them, whether cultivated or uncultivated, was left without a proprietor. All of them were

engroffed, and the greater part by a few great proprietors.

This original engroffing of uncultivated lands, though a great, might have been but a tranfitory evil. They might foon have been divided again, and broke into fmall parcels either by fucceffion or by alienation. The law of primogeniture hindered them from being divided by fucceffion: the introduction of entails prevented their being broke into fmall parcels by alienation.

When land, like moveables, is confidered as the means only of fubfiftence and enjoyment, the natural law of fucceffion divides it, like them, among all the children of the family; of all of whom the fubfiftence and enjoyment may be fuppofed equally dear to the father. This natural law of fucceffion accordingly took place among the Romans, who made no more diftinction between elder and younger, between male and female, in the inheritance of lands, than we do in the diftribution of moveables. But when land was confidered as the means, not of fubfiftence merely, but of power and protection, it was thought better that it fhould defcend undivided to one. In thofe diforderly times, every great landlord was a fort of petty prince. His tenants were his fubjects. He was their judge, and in fome refpects their legiflator in peace, and their leader in war. He made war according to his own difcretion, frequently againft his neighbours, and fometimes againft his fovereign. The fecurity of a landed eftate, therefore, the protection

which its owner could afford to thofe who dwelt on it, depended upon its greatnefs. To divide it was to ruin it, and to expofe every part of it to be oppreffed and fwallowed up by the incurfions of its neighbours. The law of primogeniture, therefore, came to take place, not immediately, indeed, but in procefs of time, in the fucceffion of landed eftates, for the fame reafon that it has generally taken place in that of monarchies, though not always at their firft inftitution. That the power, and confequently the fecurity of the monarchy, may not be weakened by divifion, it muft defcend entire to one of the children. To which of them fo important a preference fhall be given, muft be determined by fome general rule, founded not upon the doubtful diftinctions of perfonal merit, but upon fome plain and evident difference which can admit of no difpute. Among the children of the fame family, there can be no indifputable difference but that of fex, and that of age. The male fex is univerfally preferred to the female; and when all other things are equal, the elder every-where takes place of the younger. Hence the origin of the right of primogeniture, and of what is called lineal fucceffion.

Laws frequently continue in force long after the circumftances, which firft gave occafion to them, and which could alone render them reafonable, are no more. In the prefent ftate of Europe, the proprietor of a fingle acre of land is as perfectly fecure of his poffeffion as the proprietor of a hundred thoufand. The right of primoge-

niture, however, ſtill continues to be reſpected, and as of all inſtitutions it is the fitteſt to ſupport the pride of family diſtinctions, it is ſtill likely to endure for many centuries. In every other reſpect, nothing can be more contrary to the real intereſt of a numerous family, than a right which, in order to enrich one, beggars all the reſt of the children.

Entails are the natural conſequences of the law of primogeniture. They were introduced to preſerve a certain lineal ſucceſſion, of which the law of primogeniture firſt gave the idea, and to hinder any part of the original eſtate from being carried out of the propoſed line either by gift, or deviſe, or alienation; either by the folly, or by the misfortune of any of its ſucceſſive owners. They were altogether unknown to the Romans. Neither their ſubſtitutions nor fideicommiſſes bear any reſemblance to entails, though ſome French lawyers have thought proper to dreſs the modern inſtitution in the language and garb of thoſe ancient ones.

When great landed eſtates were a ſort of principalities, entails might not be unreaſonable. Like what are called the fundamental laws of ſome monarchies, they might frequently hinder the ſecurity of thouſands from being endangered by the caprice or extravagance of one man. But in the preſent ſtate of Europe, when ſmall as well as great eſtates derive their ſecurity from the laws of their country, nothing can be more compleatly abſurd. They are founded upon the moſt abſurd of all ſuppoſitions, the ſuppoſition

that

that every ſucceſſive generation of men have not an equal right to the earth, and to all that it poſſeſſes; but that the property of the preſent generation ſhould be reſtrained and regulated according to the fancy of thoſe who died perhaps five hundred years ago. Entails, however, are ſtill reſpected through the greater part of Europe, in thoſe countries particularly in which noble birth is a neceſſary qualification for the enjoyment either of civil or military honors. Entails are thought neceſſary for maintaining this excluſive privilege of the nobility to the great offices and honors of their country, and that order having uſurped one unjuſt advantage over the reſt of their fellow-citizens, leſt their poverty ſhould render it ridiculous, it is thought reaſonable that they ſhould have another. The common law of England, indeed, is ſaid to abhor perpetuities, and they are accordingly more reſtricted there than in any other European monarchy; though even England is not altogether without them. In Scotland more than one fifth, perhaps more than one-third part of the whole lands of the country, are at preſent ſuppoſed to be under ſtrict entail.

Great tracts of uncultivated land were, in this manner, not only engroſſed by particular families, but the poſſibility of their being divided again was as much as poſſible precluded for ever. It ſeldom happens, however, that a great proprietor is a great improver. In the diſorderly times which gave birth to thoſe barbarous inſtitutions, the great proprietor was ſufficiently

employed in defending his own territories, or in extending his jurifdiction and authority over thofe of his neighbours. He had no leifure to attend to the cultivation and improvement of land. When the eftablifhment of law and order afforded him this leifure, he often wanted the inclination, and almoft always the requifite abilities. If the expenfe of his houfe and perfon either equalled or exceeded his revenue, as it did very frequently, he had no ftock to employ in this manner. If he was an œconomift, he generally found it more profitable to employ his annual favings in new purchafes, than in the improvement of his old eftate. To improve land with profit, like all other commercial projects, requires an exact attention to fmall favings and fmall gains, of which a man born to a great fortune, even though naturally frugal, is very feldom capable. The fituation of fuch a perfon naturally difpofes him to attend rather to ornament which pleafes his fancy, than to profit for which he has fo little occafion. The elegance of his drefs, of his equipage, of his houfe, and houfhold furniture, are objects which from his infancy he has been accuftomed to have fome anxiety about. The turn of mind which this habit naturally forms, follows him when he comes to think of the improvement of land. He embellifhes perhaps four or five hundred acres in the neighbourhood of his houfe, at ten times the expenfe which the land is worth after all his improvements; and finds that if he was to improve his whole eftate in the fame manner,

and he has little taſte for any other, he would be a bankrupt before he had finiſhed the tenth part of it. There ſtill remain in both parts of the united kingdom ſome great eſtates which have continued without interruption in the hands of the ſame family ſince the times of feudal anarchy. Compare the preſent condition of thoſe eſtates with the poſſeſſions of the ſmall proprietors in their neighbourhood, and you will require no other argument to convince you how unfavorable ſuch extenſive property is to improvement.

If little improvement was to be expected from ſuch great proprietors, ſtill leſs was to be hoped for from thoſe who occupied the land under them. In the ancient ſtate of Europe, the occupiers of land were all tenants at will. They were all or almoſt all ſlaves; but their ſlavery was of a milder kind than that known among the ancient Greeks and Romans, or even in our Weſt Indian colonies. They were ſuppoſed to belong more directly to the land than to their maſter. They could, therefore, be ſold with it, but not ſeparately. They could marry, provided it was with the conſent of their maſter, and he could not afterwards diſſolve the marriage by ſelling the man and wife to different perſons. If he maimed or murdered any of them, he was liable to ſome penalty, though generally but to a ſmall one. They were not, however, capable of acquiring property. Whatever they acquired was acquired to their maſter, and he could take it from them at pleaſure. Whatever cultivation and improvement could be

carried on by means of ſuch ſlaves, was properly carried on by their maſter. It was at his expenſe. The ſeed, the cattle, and the inſtruments of huſbandry were all his. It was for his benefit. Such ſlaves could acquire nothing but their daily maintenance. It was properly the proprietor himſelf, therefore, that, in this caſe, occupied his own lands, and cultivated them by his own bondmen. This ſpecies of ſlavery ſtill ſubſiſts in Ruſſia, Poland, Hungary, Bohemia, Moravia, and other parts of Germany. It is only in the weſtern and ſouth-weſtern provinces of Europe, that it has gradually been aboliſhed altogether.

But if great improvements are ſeldom to be expected from great proprietors, they are leaſt of all to be expected when they employ ſlaves for their workmen. The experience of all ages and nations, I believe, demonſtrates that the work done by ſlaves, though it appears to coſt only their maintenance, is in the end the deareſt of any. A perſon who can acquire no property, can have no other intereſt but to eat as much, and to labor as little as poſſible. Whatever work he does beyond what is ſufficient to purchaſe his own maintenance, can be ſqueezed out of him by violence only, and not by any intereſt of his own. In ancient Italy, how much the cultivation of corn degenerated, how unprofitable it became to the maſter when it fell under the management of ſlaves, is remarked by both Pliny and Columella. In the time of Ariſtotle it had not been much better in ancient Greece. Speaking of the ideal republic deſcribed in the

laws of Plato, to maintain five thoufand idle men (the number of warriors fuppofed neceffary for its defence) together with their women and fervants, would require, he fays, a territory of boundlefs extent and fertility, like the plains of Babylon.

The pride of man makes him love to domineer, and nothing mortifies him fo much as to be obliged to condefcend to perfuade his inferiors. Wherever the law allows it, and the nature of the work can afford it, therefore, he will generally prefer the fervice of flaves to that of freemen. The planting of fugar and tobacco can afford the expenfe of flave-cultivation. The raifing of corn, it feems, in the prefent times, cannot. In the Englifh colonies, of which the principal produce is corn, the far greater part of the work is done by freemen. The late refolution of the Quakers in Penfilvania to fet at liberty all their negro flaves, may fatisfy us that their number cannot be very great. Had they made any confiderable part of their property, fuch a refolution could never have been agreed to. In our fugar colonies, on the contrary, the whole work is done by flaves, and in our tobacco colonies a very great part of it. The profits of a fugar-plantation in any of our Weft Indian colonies are generally much greater than thofe of any other cultivation that is known either in Europe or America: And the profits of a tobacco plantation, though inferior to thofe of fugar, are fuperior to thofe of corn, as has already been obferved. Both can afford the

expenſe of ſlave-cultivation, but ſugar can afford it ſtill better then tobacco. The number of negroes accordingly is much greater, in proportion to that of whites, in our ſugar than in our tobacco colonies.

To the ſlave cultivators of ancient times, gradually ſucceeded a ſpecies of farmers known at preſent in France by the name of Metayers. They are called in Latin, Coloni Partiarii. They have been ſo long in diſuſe in England that at preſent I know no Engliſh name for them. The proprietor furniſhed them with the ſeed, cattle, and inſtruments of huſbandry, the whole ſtock, in ſhort, neceſſary for cultivating the farm. The produce was divided equally between the proprietor and the farmer, after ſetting aſide what was judged neceſſary for keeping up the ſtock, which was reſtored to the proprietor when the farmer either quitted, or was turned out of the farm.

Land occupied by ſuch tenants is properly cultivated at the expenſe of the proprietor, as much as that occupied by ſlaves. There is, however, one very eſſential difference between them. Such tenants, being freemen, are capable of acquiring property, and having a certain proportion of the produce of the land, they have a plain intereſt that the whole produce ſhould be as great as poſſible, in order that their own proportion may be ſo. A ſlave, on the contrary, who can acquire nothing but his maintenance, conſults his own eaſe by making the land produce as little as poſſible over and above that

maintenance. It is probable that it was partly upon account of this advantage, and partly upon account of the encroachments which the ſovereign, always jealous of the great lords, gradually encouraged their villains to make upon their authority, and which ſeem at laſt to have been ſuch as rendered this ſpecies of ſervitude altogether inconvenient, that tenure in villanage gradually wore out through the greater part of Europe. The time and manner, however, in which ſo important a revolution was brought about, is one of the moſt obſcure points in modern hiſtory. The church of Rome claims great merit in it; and it is certain that ſo early as the twelfth century, Alexander III. publiſhed a bull for the general emancipation of ſlaves. It ſeems, however, to have been rather a pious exhortation, than a law to which exact obedience was required from the faithful. Slavery continued to take place almoſt univerſally for ſeveral centuries afterwards, till it was gradually aboliſhed by the joint operation of the two intereſts above-mentioned, that of the proprietor on the one hand, and that of the ſovereign on the other. A villain enfranchiſed, and at the ſame time allowed to continue in poſſeſſion of the land, having no ſtock of his own, could cultivate it only by means of what the landlord advanced to him, and muſt, therefore, have been what the French call a Metayer.

It could never, however, be the intereſt even of this laſt ſpecies of cultivators to lay out, in the further improvement of the land, any part of the

little ftock which they might fave from their own fhare of the produce, becaufe the lord, who laid out nothing, was to get one-half of whatever it produced. The tithe, which is but a tenth of the produce, is found to be a very great hindrance to improvement. A tax, therefore, which amounted to one-half, muft have been an effectual bar to it. It might be the intereft of a metayer to make the land produce as much as could be brought out of it by means of the ftock furnifhed by the proprietor; but it could never be his intereft to mix any part of his own with it. In France, where five parts out of fix of the whole kingdom are faid to be ftill occupied by this fpecies of cultivators, the proprietors complain that their metayers take every opportunity of employing the mafters' cattle rather in carriage than in cultivation; becaufe in the one cafe they get the whole profits to themfelves, in the other they fhare them with their landlord. This fpecies of tenants ftill fubfifts in fome parts of Scotland. They are called fteel-bow tenants. Thofe ancient Englifh tenants, who are faid by Chief Baron Gilbert and Doctor Blackftone to have been rather bailiffs of the landlord than farmers properly fo called, were probably of the fame kind.

To this fpecies of tenancy fucceeded, though by very flow degrees farmers properly fo called, who cultivated the land with their own ftock, paying a rent certain to the landlord. When fuch farmers have a leafe for a term of years, they may fometimes find it for their intereft to

lay out part of their capital in the further improvement of the farm; becaufe they may fometimes expect to recover it, with a large profit, before the expiration of the leafe. The poffeffion even of fuch farmers, however, was long extremely precarious, and ftill is fo in many parts of Europe. They could before the expiration of their term be legally outed of their leafe, by a new purchafer; in England, even by the fictitious actión of a common recovery. If they were turned out illegally by the violence of their mafter, the action by which they obtained redrefs was extremely imperfect. It did not always re-inftate them in the poffeffion of the land, but gave them damages which never amounted to the real lofs. Even in England, the country perhaps of Europe where the yeomanry has always been moft refpected, it was not till about the 14th of Henry the VIIth that the action of ejectment was invented, by which the tenant recovers, not damages only but poffeffion, and in which his claim is not neceffarily concluded by the uncertain decifion of a fingle affize. This action has been found fo effectual a remedy that, in the modern practice, when the landlord has occafion to fue for the poffeffion of the land, he feldom makes ufe of the actions which properly belong to him as landlord, the writ of right or the writ of entry, but fues in the name of his tenant, by the writ of ejectment. In England, therefore, the fecurity of the tenant is equal to that of the proprietor. In England befides a

leafe for life of forty fhillings a year value is a freehold, and entitles the leffee to vote for a member of parliament; and as a great part of the yeomanry have freeholds of this kind, the whole order becomes refpectable to their landlords on account of the political confideration which this gives them. There is, I believe, no-where in Europe, except in England, any inftance of the tenant building upon the land of which he had no leafe, and trufting that the honor of his landlord would take no advantage of fo important an improvement. Thofe laws and cuftoms fo favorable to the yeomanry, have perhaps contributed more to the prefent grandeur of England, than all their boafted regulations of commerce taken together.

The law which fecures the longeft leafes againft fucceffors of every kind is, fo far as I know, peculiar to Great Britain. It was introduced into Scotland fo early as 1449, by a law of James the IId. Its beneficial influence, however, has been much obftructed by entails; the heirs of entail being generally reftrained from letting leafes for any long term of years, frequently for more than one year. A late act of parliament has, in this refpect, fomewhat flackened their fetters, though they are ftill by much too ftrait. In Scotland, befides, as no leafehold gives a vote for a member of parliament, the yeomanry are upon this account lefs refpectable to their landlords than in England.

In other parts of Europe, after it was found convenient to fecure tenants both againft heirs and purchafers, the term of their fecurity was

ſtill limited to a very ſhort period; in France, for example, to nine years from the commencement of the leaſe. It has in that country, indeed, been lately extended to twenty-ſeven, a period ſtill too ſhort to encourage the tenant to make the moſt important improvements. The proprietors of land were anciently the legiſlators of every part of Europe. The laws relating to land, therefore, were all calculated for what they ſuppoſed the intereſt of the proprietor. It was for his intereſt, they had imagined, that no leaſe granted by any of his predeceſſors ſhould hinder him from enjoying, during a long term of years, the full value of his land. Avarice and injuſtice are always ſhort-ſighted, and they did not foreſee how much this regulation muſt obſtruct improvement, and thereby hurt in the long-run the real intereſt of the landlord.

The farmers too, beſides paying the rent, were anciently, it was ſuppoſed, bound to perform a great number of ſervices to the landlord, which were ſeldom either ſpecified in the leaſe, or regulated by any preciſe rule, but by the uſe and wont of the manor or barony. Theſe ſervices, therefore, being almoſt entirely arbitrary, ſubjected the tenant to many vexations. In Scotland the abolition of all ſervices, not preciſely ſtipulated in the leaſe, has in the courſe of a few years very much altered for the better the condition of the yeomanry of that country.

The public ſervices to which the yeomanry were bound, were not leſs arbitrary than the

private ones. To make and maintain the high roads, a fervitude which ftill fubfifts, I believe, every-where, though with different degrees of oppreffion in different countries, was not the only one. When the king's troops, when his houfehold or his officers of any kind paffed through any part of the country, the yeomanry were bound to provide them with horfes, carriages, and provifions, at a price regulated by the purveyor. Great Britain is, I believe, the only monarchy in Europe where the oppreffion of purveyance has been entirely abolifhed. It ftill fubfifts in France and Germany.

The public taxes to which they were fubject were as irregular and oppreffive as the fervices. The ancient lords, though extremely unwilling to grant themfelves any pecuniary aid to their fovereign, eafily allowed him to tallage, as they called it, their tenants, and had not knowledge enough to forefee how much this muft in the end affect their own revenue. The taille, as it ftill fubfifts in France, may ferve as an example of thofe ancient tallages. It is a tax upon the fuppofed profits of the farmer, which they eftimate by the ftock that he has upon the farm. It is his intereft, therefore, to appear to have as little as poffible, and confequently to employ as little as poffible in its cultivation, and none in its improvement. Should any ftock happen to accumulate in the hands of a French farmer, the taille is almoft equal to a prohibition of its ever being employed upon the land. This tax befides is fuppofed to difhonor whoever is fubject to it, and to degrade him below, not only the rank of

a gentleman, but that of a burgher, and whoever rents the lands of another becomes ſubject to it. No gentleman, nor even any burgher who has ſtock, will ſubmit to this degradation. This tax, therefore, not only hinders the ſtock which accumulates upon the land from being employed in its improvement, but drives away all other ſtock from it. The ancient tenths and fifteenths, ſo uſual in England in former times, ſeem, ſo far as they affected the land, to have been taxes of the ſame nature with the taille.

Under all theſe diſcouragements, little improvement could be expected from the occupiers of land. That order of people, with all the liberty and ſecurity which law can give, muſt always improve under great diſadvantages. The farmer compared with the proprietor, is as a merchant who trades with borrowed money compared with one who trades with his own. The ſtock of both may improve, but that of the one, with only equal good conduct, muſt always improve more ſlowly than that of the other, on account of the large ſhare of the profits which is conſumed by the intereſt of the loan. The lands cultivated by the farmer muſt, in the ſame manner, with only equal good conduct, be improved more ſlowly than thoſe cultivated by the proprietor; on account of the large ſhare of the produce which is conſumed in the rent, and which, had the farmer been proprietor, he might have employed in the further improvement of the land. The ſtation of a farmer beſides is, from

the nature of things, inferior to that of a proprietor. Through the greater part of Europe the yeomanry are regarded as an inferior rank of people, even to the better ſort of tradeſmen and mechanics, and in all parts of Europe to the great merchants and maſter manufacturers. It can ſeldom happen, therefore, that a man of any conſiderable ſtock ſhould quit the ſuperior, in order to place himſelf in an inferior ſtation. Even in the preſent ſtate of Europe, therefore, little ſtock is likely to go from any other profeſſion to the improvement of land in the way of farming. More does perhaps in Great Britain than in any other country, though even there the great ſtocks which are, in ſome places, employed in farming, have generally been acquired by farming, the trade, perhaps, in which of all others ſtock is commonly acquired moſt ſlowly. After ſmall proprietors, however, rich and great farmers are, in every country, the principal improvers. There are more ſuch perhaps in England than in any other European monarchy. In the republican governments of Holland and of Bern in Switzerland, the farmers are ſaid to be not inferior to thoſe of England.

The ancient policy of Europe was, over and above all this, unfavorable to the improvement and cultivation of land, whether carried on by the proprietor or by the farmer; firſt, by the general prohibition of the exportation of corn without a ſpecial licence, which ſeems to have been a very univerſal regulation; and ſecondly, by the reſtraints which were laid upon the inland commerce; not only of corn but of almoſt every

other part of the produce of the farm, by the abſurd laws againſt engroſſers, regrators, and foreſtallers, and by the privileges of fairs and markets. It has already been obſervéd in what manner the prohibition of the exportation of corn, together with ſome encouragement given to the importation of foreign corn, obſtructed the cultivation of ancient Italy, naturally the moſt fertile country in Europe, and at that time the ſeat of the greateſt empire in the world. To what degree ſuch reſtraints upon the inland commerce of this commodity, joined to the general prohibition of exportation, muſt have diſcouraged the cultivation of countries leſs fertile, and leſs favorably circumſtanced, it is not perhaps very eaſy to imagine.

CHAP. III.

Of the Riſe and progreſs of Cities and Towns, after the Fall of the Roman Empire.

THE inhabitants of cities and towns were, after the fall of the Roman empire, not more favored than thoſe of the country. They conſiſted, indeed, of a very different order of people from the firſt inhabitants of the ancient republics of Greece and Italy. Theſe laſt were compoſed chiefly of the proprietors of lands, among whom the public territory was originally divided, and who found it convenient to build

their houſes in the neighbourhood of one another, and to ſurround them with a wall, for the ſake of common defence. After the fall of the Roman empire, on the contrary, the proprietors of land ſeem generally to have lived in fortified caſtles on their own eſtates, and in the midſt of their own tenants and dependants. The towns were chiefly inhabited by tradeſmen and mechanics, who ſeem in thoſe days to have been of ſervile, or very nearly of ſervile condition. The privileges which we find granted by ancient charters to the inhabitants of ſome of the principal towns in Europe, ſufficiently ſhow what they were before thoſe grants. The people to whom it is granted as a privilege, that they might give away their own daughters in marriage without the conſent of their lord, that upon their death their own children, and not their lord, ſhould ſucceed to their goods, and that they might diſpoſe of their own effects by will, muſt, before thoſe grants, have been either altogether, or very nearly in the ſame ſtate of villanage with the occupiers of land in the country.

They ſeem, indeed, to have been a very poor, mean ſet of people, who uſed to travel about with their goods from place to place, and from fair to fair, like the hawkers and pedlars of the preſent times. In all the different countries of Europe then, in the ſame manner as in ſeveral of the Tartar governments of Aſia at preſent, taxes uſed to be levied upon the perſons and goods of travellers, when they paſſed through certain manors, when they went over certain bridges, when

they

they carried about their goods from place to place in a fair, when they erected in it a booth or ſtall to ſell them in. Theſe different taxes were known in England by the names of paſſage, pontage, laſtage, and ſtallage. Sometimes the king, ſometimes a great lord, who had, it ſeems, upon ſome occaſions, authority to do this, would grant to particular traders, to ſuch particularly as lived in their own demeſnes, a general exemption from ſuch taxes. Such traders, though in other reſpects of ſervile, or very nearly of ſervile condition, were upon this account called Free-traders. They in return uſually paid to their protector a ſort of annual poll-tax. In thoſe days protection was ſeldom granted without a valuable conſideration, and this tax might, perhaps, be conſidered as compenſation for what their patrons might loſe by their exemption from other taxes. At firſt, both thoſe poll-taxes and thoſe exemptions ſeem to have been altogether perſonal, and to have affected only particular individuals, during either their lives, or the pleaſure of their protectors. In the very imperfect accounts which have been publiſhed from Domeſday-book, of ſeveral of the towns of England, mention is frequently made ſometimes of the tax which particular burghers paid, each of them, either to the king, or to ſome other great lord, for this ſort of protection; and ſometimes of the general amount only of all thoſe taxes *.

* See Brady's hiſtorical treatiſe of Cities and Boroughs, p. 3, &c.

But how servile soever may have been originally the condition of the inhabitants of the towns, it appears evidently, that they arrived at liberty and independency much earlier than the occupiers of land in the country. That part of the king's revenue which arose from such poll-taxes in any particular town, used commonly to be let in farm, during a term of years for a rent certain, sometimes to the sheriff of the county, and sometimes to other persons. The burghers themselves frequently got credit enough to be admitted to farm the revenues of this sort which arose out of their own town, they becoming jointly and severally answerable for the whole rent *. To let a farm in this manner was quite agreeable to the usual œconomy of, I believe, the sovereigns of all the different countries of Europe; who used frequently to let whole manors to all the tenants of those manors, they becoming jointly and severally answerable for the whole rent; but in return being allowed to collect it in their own way, and to pay it into the king's exchequer by the hands of their own bailiff, and being thus altogether freed from the insolence of the king's officers; a circumstance in those days regarded as of the greatest importance.

At first, the farm of the town was probably let to the burghers, in the same manner as it had been to other farmers, for a term of years only. In process of time, however, it seems to

* See Madox Firma Burgi, p. 18, also History of the Exchequer, chap. 10. sect. v. p. 223, first edition.

have become the general practice to grant it to them in fee, that is for ever, reserving a rent certain never afterwards to be augmented. The payment having thus become perpetual, the exemptions, in return for which it was made, naturally became perpetual too. Those exemptions, therefore, ceased to be personal, and could not afterwards be considered as belonging to individuals as individuals, but as burghers of a particular burgh, which, upon this account, was called a Free-burgh, for the same reason that they had been called Free-burghers or Freetraders.

Along with this grant, the important privileges above-mentioned, that they might give away their own daughters in marriage, that their children should succeed to them, and that they might dispose of their own effects by will, were generally bestowed upon the burghers of the town to whom it was given. Whether such privileges had before been usually granted along with the freedom of trade, to particular burghers, as individuals, I know not. I reckon it not improbable that they were, though I cannot produce any direct evidence of it. But however this may have been, the principal attributes of villanage and slavery being thus taken away from them, they now, at least, became really free in our present sense of the word Freedom.

Nor was this all. They were generally at the same time erected into a commonalty or corporation, with the privilege of having magistrates and a town-council of their own, of making

bye-laws for their own government, of building walls for their own defence, and of reducing all their inhabitants under a ſort of military diſcipline, by obliging them to watch and ward; that is, as anciently underſtood, to guard and defend thoſe walls againſt all attacks and ſurpriſes by night as well as by day. In England they were generally exempted from ſuit to the hundred and county courts; and all ſuch pleas as ſhould ariſe among them, the pleas of the crown excepted, were left to the deciſion of their own magiſtrates. In other countries much greater and more extenſive juriſdictions were frequently granted to them *.

It might, probably, be neceſſary to grant to ſuch towns as were admitted to farm their own revenues, ſome ſort of compulſive juriſdiction to oblige their own citizens to make payment. In thoſe diſorderly times it might have been extremely inconvenient to have left them to ſeek this ſort of juſtice from any other tribunal. But it muſt ſeem extraordinary that the ſovereigns of all the different countries of Europe, ſhould have exchanged in this manner for a rent certain, never more to be augmented, that branch of their revenue, which was, perhaps, of all others the moſt likely to be improved by the natural courſe of things, without either expenſe or attention of their own: and that they ſhould,

* See Madox Firma Burgi: See alſo Pfeffel in the remarkable events under Frederic II. and his ſucceſſors of the houſe of Suabia.

befides, have in this manner voluntarily erected a fort of independent republics in the heart of their own dominions.

In order to underftand this, it muft be remembered, that in thofe days the fovereign of perhaps no country in Europe was able to protect, through the whole extent of his dominions, the weaker part of his fubjects from the oppreffion of the great lords. Thofe whom the law could not protect, and who were not ftrong enough to defend themfelves, were obliged either to have recourfe to the protection of fome great lord, and in order to obtain it to become either his flaves or vaffals; or to enter into a league of mutual defence for the common protection of one another. The inhabitants of cities and burghs, confidered as fingle individuals, had no power to defend themfelves; but by entering into a league of mutual defence with their neighbours, they were capable of making no contemptible refiftance. The lords defpifed the burghers, whom they confidered not only as of a different order, but as a parcel of emancipated flaves, almoft of a different fpecies from themfelves. The wealth of the burghers never failed to provoke their envy and indignation, and they plundered them upon every occafion without mercy or remorfe. The burghers naturally hated and feared the lords. The king hated and feared them too; but though perhaps he might defpife, he had no reafon either to hate or fear the burghers. Mutual intereft, therefore, difpofed them to fupport the king, and the king to fupport

them againſt the lords. They were the enemies of his enemies, and it was his intereſt to render them as ſecure and independent of thoſe enemies as he could. By granting them magiſtrates of their own, the privilege of making bye-laws for their own government, that of building walls for their own defence, and that of reducing all their inhabitants under a ſort of military diſcipline, he gave them all the means of ſecurity and independency of the barons which it was in his power to beſtow. Without the eſtabliſhment of ſome regular government of this kind, without ſome authority to compel their inhabitants to act according to ſome certain plan or ſyſtem, no voluntary league of mutual defence could either have afforded them any permanent ſecurity, or have enabled them to give the king any conſiderable ſupport. By granting them the farm of their town in fee, he took away from thoſe whom he wiſhed to have for his friends, and, if one may ſay ſo, for his allies, all ground of jealouſy and ſuſpicion that he was ever afterwards to oppreſs them, either by raiſing the farm rent of their own, or by granting it to ſome other farmer.

The princes who lived upon the worſt terms with their barons, ſeem accordingly to have been the moſt liberal in grants of this kind to their burghs. King John of England, for example, appears to have been a moſt munificent benefactor to his towns *. Philip the Firſt of France loſt all authority over his barons. Towards the

* See Madox.

end of his reign, his ſon Lewis, known afterwards by the name of Lewis the Fat, conſulted, according to Father Daniel, with the biſhops of the royal demeſnes, concerning the moſt proper means of reſtraining the violence of the great lords. Their advice conſiſted of two different propoſals. One was to erect a new order of juriſdiction, by eſtabliſhing magiſtrates and a town council in every conſiderable town of his demeſnes. The other was to form a new militia, by making the inhabitants of thoſe towns, under the command of their own magiſtrates, march out upon proper occaſions to the aſſiſtance of the king. It is from this period, according to the French antiquarians, that we are to date the inſtitution of the magiſtrates and councils of cities in France. It was during the unproſperous reigns of the princes of the houſe of Suabia that the greater part of the free towns of Germany received the firſt grants of their privileges, and that the famous Hanſeatic league firſt became formidable *.

The militia of the cities ſeems, in thoſe times, not to have been inferior to that of the country, and as they could be more readily aſſembled upon any ſudden occaſion, they frequently had the advantage in their diſputes with the neighbouring lords. In countries, ſuch as Italy and Switzerland, in which, on account either of their diſtance from the principal ſeat of government, of the natural ſtrength of the country

* See Pfeffel.

itſelf, or of ſome other reaſon, the ſovereign came to loſe the whole of his authority, the cities generally became independent republics, and conquered all the nobility in their neighbourhood; obliging them to pull down their caſtles in the country, and to live, like other peaceable inhabitants, in the city. This is the ſhort hiſtory of the republic of Berne, as well as of ſeveral other cities in Switzerland. If you except Venice, for of that city the hiſtory is ſomewhat different, it is the hiſtory of all the conſiderable Italian republics, of which ſo great a number aroſe and periſhed, between the end of the twelfth and the beginning of the ſixteenth century.

In countries ſuch as France or England, where the authority of the ſovereign, though frequently very low, never was deſtroyed altogether, the cities had no opportunity of becoming entirely independent. They became, however, ſo conſiderable, that the ſovereign could impoſe no tax upon them, beſides the ſtated farm-rent of the town, without their own conſent. They were, therefore, called upon to ſend deputies to the general aſſembly of the ſtates of the kingdom, where they might join with the clergy and the barons in granting, upon urgent occaſions, ſome extraordinary aid to the king. Being generally too more favorable to his power, their deputies ſeem, ſometimes, to have been employed by him as a counter-balance in thoſe aſſemblies to the authority of the great lords. Hence the origin

of the repreſentation of burghs in the ſtates general of all the great monarchies in Europe.

Order and good government, and along with them the liberty and ſecurity of individuals, were in this manner, eſtabliſhed in cities, at a time when the occupiers of land in the country were expoſed to every ſort of violence. But men in this defenceleſs ſtate naturally content themſelves with their neceſſary ſubſiſtence; becauſe to acquire more might only tempt the injuſtice of their oppreſſors. On the contrary, when they are ſecure of enjoying the fruits of their induſtry, they naturally exert it to better their condition, and to acquire not only the neceſſaries, but the conveniencies and elegancies of life. That induſtry, therefore, which aims at ſomething more than neceſſary ſubſiſtence, was eſtabliſhed in cities long before it was commonly practiſed by the occupiers of land in the country. If in the hands of a poor cultivator, oppreſſed with the ſervitude of villanage, ſome little ſtock ſhould accumulate, he would naturally conceal it with great care from his maſter, to whom it would otherwiſe have belonged, and take the firſt opportunity of running away to a town. The law was at that time ſo indulgent to the inhabitants of towns, and ſo deſirous of diminiſhing the authority of the lords over thoſe of the country, that if he could conceal himſelf there from the purſuit of his lord for a year, he was free for ever. Whatever ſtock, therefore, accumulated in the hands of the induſtrious part of the inhabitants of the country, naturally took refuge in

cities, as the only ſanctuaries in which it could be ſecure to the perſon that acquired it.

The inhabitants of a city, it is true, muſt always ultimately derive their ſubſiſtence, and the whole materials and means of their induſtry, from the country. But thoſe of a city, ſituated near either the ſea-coaſt or the banks of a navigable river, are not neceſſarily confined to derive them from the country in their neighbourhood. They have a much wider range, and may draw them from the moſt remote corners of the world, either in exchange for the manufactured produce of their own induſtry, or by performing the office of carriers between diſtant countries, and exchanging the produce of one for that of another. A city might in this manner grow up to great wealth and ſplendor, while not only the country in its neighbourhood, but all thoſe to which it traded, were in poverty and wretchedneſs. Each of thoſe countries, perhaps, taken ſingly, could afford it but a ſmall part, either of its ſubſiſtence, or of its employment; but all of them taken together could afford it both a great ſubſiſtence and a great employment. There were, however, within the narrow circle of the commerce of thoſe times, ſome countries that were opulent and induſtrious. Such was the Greek empire as long as it ſubſiſted, and that of the Saracens during the reigns of the Abaſſides. Such too was Egypt till it was conquered by the Turks, ſome part of the coaſt of Barbary, and all thoſe provinces of Spain which were under the government of the Moors.

The cities of Italy ſeem to have been the firſt in Europe which were raiſed by commerce to any conſiderable degree of opulence. Italy lay in the centre of what was at that time the improved and civilized part of the world. The cruſades too, though, by the great waſte of ſtock and deſtruction of inhabitants which they occaſioned, they muſt neceſſarily have retarded the progreſs of the greater part of Europe, were extremely favorable to that of ſome Italian cities. The great armies which marched from all parts to the conqueſt of the Holy Land, gave extraordinary encouragement to the ſhipping of Venice, Genoa, and Piſa, ſometimes in tranſporting them thither, and always in ſupplying them with proviſions. They were the commiſſaries, if one may ſay ſo, of thoſe armies; and the moſt deſtructive frenzy that ever befel the European nations, was a ſource of opulence to thoſe republics.

The inhabitants of trading cities, by importing the improved manufactures and expenſive luxuries of richer countries, afforded ſome food to the vanity of the great proprietors, who eagerly purchaſed them with great quantities of the rude produce of their own lands. The commerce of a great part of Europe in thoſe times accordingly, conſiſted chiefly in the exchange of their own rude, for the manufactured produce of more civilized nations. Thus the wool of England uſed to be exchanged for the wines of France, and the fine cloths of Flanders, in the ſame manner as the corn in Poland is at this

day exchanged for the wines and brandies of France, and for the ſilks and velvets of France and Italy.

A taſte for the finer and more improved manufactures, was in this manner introduced by foreign commerce into countries where no ſuch works were carried on. But when this taſte became ſo general as to occaſion a conſiderable demand, the merchants, in order to ſave the expenſe of carriage, naturally endeavoured to eſtabliſh ſome manufactures of the ſame kind in their own country. Hence the origin of the firſt manufactures for diſtant ſale that ſeem to have been eſtabliſhed in the weſtern provinces of Europe, after the fall of the Roman empire.

No large country, it muſt be obſerved, ever did or could ſubſiſt without ſome ſort of manufactures being carried on in it; and when it is ſaid of any ſuch country that it has no manufactures, it muſt always be underſtood of the finer and more improved, or of ſuch as are fit for diſtant ſale. In every large country, both the clothing and houſhold furniture of the far greater part of the people, are the produce of their own induſtry. This is even more univerſally the caſe in thoſe poor countries which are commonly ſaid to have no manufactures, than in thoſe rich ones that are ſaid to abound in them. In the latter, you will generally find, both in the clothes and houſhold furniture of the loweſt rank of people, a much greater proportion of foreign productions than in the former.

Thofe manufactures which are fit for diftant fale, feem to have been introduced into different countries in two different ways.

Sometimes they have been introduced, in the manner above-mentioned, by the violent operation, if one may fay fo, of the ftocks of particular merchants and undertakers, who eftablifhed them in imitation of fome foreign manufactures of the fame kind. Such manufactures, therefore, are the offsprings of foreign commerce, and fuch feem to have been the ancient manufactures of filks, velvets, and brocades, which flourifhed in Lucca during the thirteenth century. They were banifhed from thence by the tyranny of one of Machiavel's heroes, Caftruccio Caftracani. In 1310, nine hundred families were driven out of Lucca, of whom thirty-one retired to Venice, and offered to introduce there the filk manufacture*. Their offer was accepted; many privileges were conferred upon them, and they began the manufacture with three hundred workmen. Such too feem to have been the manufactures of fine cloths that anciently flourifhed in Flanders, and which were introduced into England in the beginning of the reign of Elizabeth; and fuch are the prefent filk manufactures of Lyons and Spital-fields. Manufactures introduced in this manner are generally employed upon foreign materials, being imitations of foreign manufactures. When the Venetian manufacture

* See Sandi Iftoria Civile de Venezia, Part 2. vol. i. page 247, and 256.

was firſt eſtabliſhed, the materials were all brought from Sicily and the Levant. The more ancient manufacture of Lucca was likewiſe carried on with foreign materials. The cultivation of mulberry trees, and the breeding of ſilkworms, ſeem not to have been common in the northern parts of Italy before the ſixteenth century. Thoſe arts were not introduced into France till the reign of Charles IX. The manufactures of Flanders were carried on chiefly with Spaniſh and Engliſh wool. Spaniſh wool was the material, not of the firſt woollen manufacture of England, but of the firſt that was fit for diſtant ſale. More than one half the materials of the Lyons manufacture is at this day foreign ſilk; when it was firſt eſtabliſhed, the whole or very nearly the whole was ſo. No part of the materials of the Spital-fields manufacture is ever likely to be the produce of England. The ſeat of ſuch manufactures, as they are generally introduced by the ſcheme and project of a few individuals, is ſometimes eſtabliſhed in a maritime city, and ſometimes in an inland town, according as their intereſt, judgment or caprice happen to determine.

At other times manufactures for diſtant ſale grow up naturally, and as it were of their own accord, by the gradual refinement of thoſe houſhold and coarſer manufactures which muſt at all times be carried on even in the pooreſt and rudeſt countries. Such manufactures are generally employed upon the materials which the country produces, and they ſeem frequently to

have been firſt refined and improved in ſuch inland countries as were, not indeed at a very great, but at a conſiderable diſtance from the ſea coaſt, and ſometimes even from all water carriage. An inland country naturally fertile and eaſily cultivated, produces a great ſurplus of proviſions beyond what is neceſſary for maintaining the cultivators, and on account of the expenſe of land carriage, and inconveniency of river navigation, it may frequently be difficult to ſend this ſurplus abroad. Abundance, therefore, renders proviſions cheap, and encourages a great number of workmen to ſettle in the neighbourhood, who find that their induſtry can there procure them more of the neceſſaries and conveniencies of life than in other places. They work up the materials of manufacture which the land produces, and exchange their finiſhed work, or what is the ſame thing the price of it, for more materials and proviſions. They give a new value to the ſurplus part of the rude produce, by ſaving the expenſe of carrying it to the water ſide, or to ſome diſtant market; and they furniſh the cultivators with ſomething in exchange for it that is either uſeful or agreeable to them, upon eaſier terms than they could have obtained it before. The cultivators get a better price for their ſurplus produce, and can purchaſe cheaper other conveniencies which they have occaſion for. They are thus both encouraged and enabled to increaſe this ſurplus produce by a further improvement and better cultivation of the land; and as the fertility of the land had given birth

to the manufacture, ſo the progreſs of the manufacture re-acts upon the land, and increaſes ſtill further its fertility. The manufacturers firſt ſupply the neighbourhood, and afterwards, as their work improves and refines, more diſtant markets. For though neither the rude produce, nor even the coarſe manufacture, could, without the greateſt difficulty, ſupport the expenſe of a conſiderable land carriage, the refined and improved manufacture eaſily may. In a ſmall bulk it frequently contains the price of a great quantity of rude produce. A piece of fine cloth, for example, which weighs only eighty pounds, contains in it, the price, not only of eighty pounds weight of wool, but ſometimes of ſeveral thouſand weight of corn, the maintenance of the different working people, and of their immediate employers. The corn, which could with difficulty have been carried abroad in its own ſhape, is in this manner virtually exported in that of the compleat manufacture, and may eaſily be ſent to the remoteſt corners of the world. In this manner have grown up naturally, and as it were of their own accord, the manufactures of Leeds, Halifax, Sheffield, Birmingham, and Wolverhampton. Such manufactures are the offspring of agriculture. In the modern hiſtory of Europe, their extenſion and improvement have generally been poſterior to thoſe which were the offspring of foreign commerce. England was noted for the manufacture of fine cloths made of Spaniſh wool, more than a century before any of thoſe which now flouriſh in the places abovementioned

mentioned were fit for foreign ſale The extenſion and improvement of theſe laſt could not take place but in conſequence of the extenſion and improvement of agriculture, the laſt and greateſt effect of foreign commerce, and of the manufactures immediately introduced by it, and which I ſhall now proceed to explain.

CHAP. IV.

How the Commerce of the Towns contributed to the Improvement of the Country.

THE increaſe and riches of commercial and manufacturing towns, contributed to the improvement and cultivation of the countries to which they belonged, in three different ways.

Firſt, by affording a great and ready market for the rude produce of the country, they gave encouragement to its cultivation and further improvement. This benefit was not even confined to the countries in which they were ſituated, but extended more or leſs to all thoſe with which they had any dealings. To all of them they afforded a market for ſome part either of their rude or manufactured produce, and conſequently gave ſome encouragement to the induſtry and improvement of all. Their own country, however, on account of its neighbourhood, neceſſarily derived the greateſt benefit from this market.

Its rude produce being charged with lefs carriage, the traders could pay the growers a better price for it, and yet afford it as cheap to the confumers as that of more diftant countries.

Secondly, the wealth acquired by the inhabitants of cities was frequently employed in purchafing fuch lands as were to be fold, of which a great part would frequently be uncultivated. Merchants are commonly ambitious of becoming country gentlemen, and when they do, they are generally the beft of all improvers. A merchant is accuftomed to employ his money chiefly in profitable projects; whereas a mere country gentleman is accuftomed to employ it chiefly in expenfe. The one often fees his money go from him and return to him again with a profit: the other, when once he parts with it, very feldom expects to fee any more of it. Thofe different habits naturally affect their temper and difpofition in every fort of bufinefs. A merchant is commonly a bold; a country gentleman, a timid undertaker. The one is not afraid to lay out at once a large capital upon the improvement of his land, when he has a probable profpect of raifing the value of it in proportion to the expenfe. The other, if he has any capital, which is not always the cafe, feldom ventures to employ it in this manner. If he improves at all, it is commonly not with a capital, but with what he can fave out of his annual revenue. Whoever has had the fortune to live in a mercantile town fituated in a unimproved country, muft have frequently obferved how much more fpirited

the operations of merchants were in this way, than thofe of mere country gentlemen. The habits, befides, of order, œconomy and attention, to which mercantile bufinefs naturally forms a merchant, render him much fitter to execute, with profit and fuccefs, any project of improvement.

Thirdly, and laftly, commerce and manufactures gradually introduced order and good government, and with them, the liberty and fecurity of individuals, among the inhabitants of the country, who had before lived almoft in a continual ftate of war with their neighbours, and of fervile dependency upon their fuperiors. This, though it has been the leaft obferved, is by far the moft important of all their effects. Mr. Hume is the only writer who, fo far as I know, has hitherto taken notice of it.

In a country which has neither foreign commerce, nor any of the finer manufactures, a great proprietor, having nothing for which he can exchange the greater part of the produce of his lands which is over and above the maintenance of the cultivators, confumes the whole in ruftic hofpitality at home. If this furplus produce is fufficient to maintain a hundred or a thoufand men, he can make ufe of it in no other way than by maintaining a hundred or a thoufand men. He is at all times, therefore, furrounded with a multitude of retainers and dependants, who having no equivalent to give in return for their maintenance, but being fed entirely by his bounty, muft obey him, for the fame reafon that foldiers

muſt obey the prince who pays them. Before the extenſion of commerce and manufactures in Europe, the hoſpitality of the rich and the great, from the ſovereign down to the ſmalleſt baron, exceeded every thing which in the preſent times we can eaſily form a notion of. Weſtminſter hall was the dining-room of William Rufus, and might frequently, perhaps, not be too large for his company. It was reckoned a piece of magnificence in Thomas Becket, that he ſtrowed the floor of his hall with clean hay or ruſhes in the ſeaſon, in order that the knights and ſquires, who could not get ſeats, might not ſpoil their fine cloths when they ſat down on the floor to eat their dinner. The great earl of Warwick is ſaid to have entertained every day at his different manors, thirty thouſand people; and though the number here may have been exaggerated, it muſt, however, have been very great to admit of ſuch exaggeration. A hoſpitality nearly of the ſame kind was exerciſed not many years ago in many different parts of the highlands of Scotland. It ſeems to be common in all nations to whom commerce and manufactures are little known. I have ſeen, ſays Doctor Pocock, an Arabian chief dine in the ſtreets of a town where he had come to ſell his cattle, and invite all paſſengers, even common beggars, to ſit down with him and partake of his banquet.

The occupiers of land were in every reſpect as dependent upon the great proprietor as his retainers. Even ſuch of them as were not in a ſtate of villanage, were tenants at will, who paid

a rent in no refpect equivalent to the fubfiftence which the land afforded them. A crown, half a crown, a fheep, a lamb, was fome years ago in the highlands of Scotland a common rent for lands which maintained a family. In fome places it is fo at this day; nor will money at prefent purchafe a greater quantity of commodities there than in other places. In a country where the furplus produce of a large eftate muft be confumed upon the eftate itfelf, it will frequently be more convenient for the proprietor, that part of it be confumed at a diftance from his own houfe, provided they who confume it are as dependent upon him as either his retainers or his menial fervants. He is thereby faved from the embarraffement of either too large a company or too large a family. A tenant at will, who poffeffes land fufficient to maintain his family for little more than a quit-rent, is as dependent upon the proprietor as any fervant or retainer whatever, and muft obey him with as little referve. Such a proprietor, as he feeds his fervants and retainers at his own houfe, fo he feeds his tenants at their houfes. The fubfiftence of both is derived from his bounty, and its continuance depends upon his good pleafure.

Upon the authority which the great proprietors neceffarily had in fuch a ftate of things over their tenants and retainers, was founded the power of the ancient barons. They neceffarily became the judges in peace, and the leaders in war, of all who dwelt upon their eftates. They could maintain order and execute the law within their

refpective demefnes, becaufe each of them could there turn the whole force of all the inhabitants againft the injuftice of any one. No other perfon had fufficient authority to do this. The king in particular had not. In thofe ancient times he was little more than the greateft proprietor in his dominions, to whom, for the fake of common defence againft their common enemies, the other great proprietors paid certain refpects. To have enforced payment of a fmall debt within the lands of a great proprietor, where all the inhabitants were armed and accuftomed to ftand by one another, would have coft the king, had he attempted it by his own authority, almoft the fame efforts as to extinguifh a civil war. He was, therefore, obliged to abandon the adminiftration of juftice through the greater part of the country, to thofe who were capable of adminiftering it; and for the fame reafon to leave the command of the country militia to thofe whom that militia would obey.

It is a miftake to imagine that thofe territorial jurifdictions took their origin from the feudal law. Not only the higheft jurifdictions both civil and criminal, but the power of levying troops, of coining money, and even that of making bye-laws for the government of their own people, were all rights poffeffed allodially by the great proprietors of land feveral centuries before even the name of the feudal law was known in Europe. The authority and jurifdiction of the Saxon lords in England, appear to have been as great before the conqueft, as that of any of the Norman

lords after it. But the feudal law is not ſuppoſed to have become the common law of England till after the conqueſt. That the moſt extenſive authority and juriſdictions were poſſeſſed by the great lords in France allodially, long before the feudal law was introduced into that country, is a matter of fact that admits of no doubt. That authority and thoſe juriſdictions all neceſſarily flowed from the ſtate of property and manners juſt now deſcribed. Without remounting to the remote antiquities of either the French or Engliſh monarchies, we may find in much later times many proofs that ſuch effects muſt always flow from ſuch cauſes. It is not thirty years ago ſince Mr. Cameron of Lochiel, a gentleman of Lochabar in Scotland, without any legal warrant whatever, not being what was then called a lord of regality, nor even a tenant in chief, but a vaſſal of the duke of Argyle, and without being ſo much as a juſtice of peace, uſed, notwithſtanding, to exerciſe the higheſt criminal juriſdiction over his own people. He is ſaid to have done ſo with great equity, though without any of the formalities of juſtice; and it is not improbable that the ſtate of that part of the country at that time made it neceſſary for him to aſſume this authority in order to maintain the public peace. That gentleman, whoſe rent never exceeded five hundred pounds a year, carried, in 1745, eight hundred of his own people into the rebellion with him.

The introduction of the feudal law, ſo far from extending, may be regarded as an attempt to moderate the authority of the great allodial lords. It eſtabliſhed a regular ſubordination, accompanied with a long train of ſervices and duties, from the king down to the ſmalleſt proprietor. During the minority of the proprietor, the rent, together with the management of his lands, fell into the hands of the immediate ſuperior, and, conſequently, thoſe of all great proprietors into the hands of the king, who was charged with the maintenance and education of the pupil, and who, from his authority as guardian, was ſuppoſed to have a right of diſpoſing of him in marriage, provided it was in a manner not unſuitable to his rank. But though this inſtitution neceſſarily tended to ſtrengthen the authority of the king, and to weaken that of the great proprietors, it could not do either ſufficiently for eſtabliſhing order and good government among the inhabitants of the country; becauſe it could not alter ſufficiently that ſtate of property and manners from which the diſorders aroſe. The authority of government ſtill continued to be, as before, too weak in the head and too ſtrong in the inferior members, and the exceſſive ſtrength of the inferior members was the cauſe of the weakneſs of the head. After the inſtitution of feudal ſubordination, the king was as incapable of reſtraining the violence of the great lords as before. They ſtill continued to make war according to their own diſcretion,

almoſt continually upon one another, and very frequently upon the king; and the open country ſtill continued to be a ſcene of violence, rapine, and diſorder.

But what all the violence of the feudal inſtitutions could never have effected, the ſilent and inſenſible operation of foreign commerce and manufactures gradually brought about. Theſe gradually furniſhed the great proprietors with ſomething for which they could exchange the whole ſurplus produce of their lands, and which they could conſume themſelves without ſharing it either with tenants or retainers. All for ourſelves, and nothing for other people, ſeems, in every age of the world, to have been the vile maxim of the maſters of mankind. As ſoon, therefore, as they could find a method of conſuming the whole value of their rents themſelves, they had no diſpoſition to ſhare them with any other perſons. For a pair of diamond buckles perhaps, or for ſomething as frivolous and uſeleſs, they exchanged the maintenance, or what is the ſame thing, the price of the maintenance of a thouſand men for a year, and with it the whole weight and authority which it could give them. The buckles, however, were to be all their own, and no other human creature was to have any ſhare of them; whereas in the more ancient method of expenſe they muſt have ſhared with at leaſt a thouſand people. With the judges that were to determine the preference, this difference was perfectly deciſive; and thus, for the gratification of the moſt childiſh, the meaneſt and

the moſt ſordid of all vanities, they gradually bartered their whole power and authority.

In a country where there is no foreign commerce, nor any of the finer manufactures, a man of ten thouſand a year cannot well employ his revenue in any other way than in maintaining, perhaps, a thouſand families, who are all of them neceſſarily at his command. In the preſent ſtate of Europe, a man of ten thouſand a year can ſpend his whole revenue, and he generally does ſo, without directly maintaining twenty people, or being able to command more than ten footmen not worth the commanding. Indirectly, perhaps, he maintains as great or even a greater number of people than he could have done by the ancient method of expenſe. For though the quantity of precious productions for which he exchanges his whole revenue be very ſmall, the number of workmen employed in collecting and preparing it, muſt neceſſarily have been very great. Its great price generally ariſes from the wages of their labor, and the profits of all their immediate employers. By paying that price he indirectly pays all thoſe wages and profits, and thus indirectly contributes to the maintenance of all the workmen and their employers. He generally contributes, however, but a very ſmall proportion to that of each, to very few perhaps a tenth, to many not a hundredth, and to ſome not a thouſandth, nor even a ten thouſandth part of their whole annual maintenance. Though he contributes, therefore, to the maintenance of them all, they are all more or leſs independent

of him, becaufe generally they can all be maintained without him.

When the great proprietors of land fpend their rents in maintaining their tenants and retainers, each of them maintains entirely all his own tenants and all his own retainers. But when they fpend them in maintaining tradefmen and artificers, they may, all of them taken together, perhaps, maintain as great, or, on account of the wafte which attends ruftic hofpitality, a greater number of people than before. Each of them, however, taken fingly, contributes often but a very fmall fhare to the maintenance of any individual of this greater number. Each tradefman or artificer derives his fubfiftence from the employment, not of one, but of a hundred or a thoufand different cuftomers. Though in fome meafure obliged to them all, therefore, he is not abfolutely dependent upon any one of them.

The perfonal expenfe of the great proprietors having in this manner gradually increafed, it was impoffible that the number of their retainers fhould not as gradually diminifh, till they were at laft difmiffed altogether. The fame caufe gradually led them to difmifs the unneceffary part of their tenants. Farms were enlarged, and the occupiers of land, notwithftanding the complaints of depopulation, reduced to the number neceffary for cultivating it, according to the imperfect ftate of cultivation and improvement in thofe times. By the removal of the unneceffary mouths, and by exacting from the farmer the full value of the farm, a greater furplus, or what

in the ſame thing, the price of a greater ſurplus, was obtained for the proprietor, which the merchants and manufacturers ſoon furniſhed him with a method of ſpending upon his own perſon in the ſame manner as he had done the reſt. The ſame cauſe continuing to operate, he was deſirous to raiſe his rents above what his lands, in the actual ſtate of their improvement, could afford. His tenants could agree to this upon one condition only, that they ſhould be ſecured in their poſſeſſion, for ſuch a term of years as might give them time to recover with profit whatever they ſhould lay out in the further improvement of the land. The expenſive vanity of the landlord made him willing to accept of this condition; and hence the origin of long leaſes.

Even a tenant at will, who pays the full value of the land, is not altogether dependent upon the landlord. The pecuniary advantages which they receive from one another, are mutual and equal, and ſuch a tenant will expoſe neither his life nor his fortune in the ſervice of the proprietor. But if he has a leaſe for a long term of years, he is altogether independent; and his landlord muſt not expect from him even the moſt trifling ſervice beyond what is either expreſsly ſtipulated in the leaſe, or impoſed upon him by the common and known law of the country.

The tenants having in this manner become independent, and the retainers being diſmiſſed, the great proprietors were no longer capable of interrupting the regular execution of juſtice, or

of difturbing the peace of the country. Having fold their birth-right, not like Efau for a mefs of pottage in time of hunger and neceffity, but in the wantonnefs of plenty, for trinkets and baubles, fitter to be the play-things of children than the ferious purfuits of men, they became as infignificant as any fubftantial burgher or tradefman in a city. A regular government was eftablifhed in the country as well in the city, nobody having fufficient power to difturb its operations in the one, any more than in the other.

It does not, perhaps, relate to the prefent fubject, but I cannot help remarking it, that very old families, fuch as have poffeffed fome confiderable eftate from father to fon for many fucceffive generations, are very rare in commercial countries. In countries which have little commerce, on the contrary, fuch as Wales or the highlands of Scotland, they are very common. The Arabian hiftories feem to be all full of genealogies, and there is a hiftory written by a Tartar Khan, which has been tranflated into feveral European languages, and which contains fcarce any thing elfe; a proof that ancient families are very common among thofe nations. In countries where a rich man can fpend his revenue in no other way than by maintaining as many people as it can maintain, he is not apt to run out, and his benevolence it feems is feldom fo violent as to attempt to maintain more than he can afford. But where he can fpend the greateft revenue upon his own perfon, he frequently has

no bounds to his expenſe, becauſe he frequently has no bounds to his vanity, or to his affection for his own perſon. In commercial countries, therefore, riches, in ſpite of the moſt violent regulations of law to prevent their diſſipation, very ſeldom remain long in the ſame family. Among ſimple nations, on the contrary, they frequently do without any regulations of law; for among nations of ſhepherds, ſuch as the Tartars and Arabs, the conſumable nature of their property neceſſarily renders all ſuch regulations impoſſible.

A revolution of the greateſt importance to the public happineſs, was in this manner brought about by two different orders of people, who had not the leaſt intention to ſerve the public. To gratify the moſt childiſh vanity was the ſole motive of the great proprietors. The merchants and artificers, much leſs ridiculous, acted merely from a view to their own intereſt, and in purſuit of their own pedlar principle of turning a penny wherever a penny was to be got. Neither of them had either knowledge or foreſight of that great revolution which the folly of the one, and the induſtry of the other, was gradually bringing about.

It is thus that through the greater part of Europe the commerce and manufactures of cities, inſtead of being the effect, have been the cauſe and occaſion of the improvement and cultivation of the country.

This order, however, being contrary to the natural courſe of things, is neceſſarily both ſlow and uncertain. Compare the ſlow progreſs of

thofe European countries of which the wealth depends very much upon their commerce and manufactures, with the rapid advances of our North-American colonies, of which the wealth is founded altogether in agriculture. Through the greater part of Europe, the number of inhabitants is not fuppofed to double in lefs than five hundred years. In feveral of our North-American colonies, it is found to double in twenty or five-and-twenty years. In Europe, the law of primogeniture, and perpetuities, of different kinds, prevent the divifion of great eftates, and thereby hinder the multiplication of fmall proprietors. A fmall proprietor, however, who knows every part of his little territory, who views it with all the affection which property, efpecially fmall property, naturally infpires, and who upon that account takes pleafure not only in cultivating but in adorning it, is generally of all improvers the moft induftrious, the moft intelligent, and the moft fuccefsful. The fame regulations, befides, keep fo much land out of the market, that there are always more capitals to buy than there is land to fell, fo that what is fold always fells at a monopoly price. The rent never pays the intereft of the purchafe-money, and is befides burdened with repairs and other occafional charges, to which the intereft of money is not liable. To purchafe land is every-where in Europe a moft unprofitable employment of a fmall capital. For the fake of the fuperior fecurity, indeed, a man of moderate circumftances, when he retires from bufinefs, will fometimes

chuſe to lay out his little capital in land. A man of profeſſion too, whoſe revenue is derived from another ſource, often loves to ſecure his ſavings in the ſame way. But a young man, who, inſtead of applying to trade or to ſome profeſſion, ſhould employ a capital of two or three thouſand pounds in the purchaſe and cultivation of a ſmall piece of land, might indeed expect to live very happily, and very independently, but muſt bid adieu, for ever, to all hope of either great fortune or great illuſtration, which by a different employment of his ſtock he might have had the ſame chance of acquiring with other people. Such a perſon too, though he cannot aſpire at being a proprietor, will often diſdain to be a farmer. The ſmall quantity of land, therefore, which is brought to market, and the high price of what is brought thither, prevents a great number of capitals from being employed in its cultivation and improvement which would otherwiſe have taken that direction. In North-America, on the contrary, fifty or ſixty pounds is often found a ſufficient ſtock to begin a plantation with. The purchaſe and improvement of uncultivated land, is there the moſt profitable employment of the ſmalleſt as well as of the greateſt capitals, and the moſt direct road to all the fortune and illuſtration which can be acquired in that country. Such land, indeed, is in North-America to be had almoſt for nothing, or at a price much below the value of the natural produce; a thing impoſſible in Europe, or, indeed, in any country where all lands have long been

private

private property. If landed eſtates, however, were divided equally among all the children, upon the death of any proprietor who left a numerous family, the eſtate would generally be ſold. So much land would come to market, that it could no longer ſell at a monopoly price. The free rent of the land would go nearer to pay the intereſt of the purchaſe-money, and a ſmall capital might be employed in purchaſing land as profitably as in any other way.

England, on account of the natural fertility of the ſoil, of the great extent of the ſea-coaſt in proportion to that of the whole country, and of the many navigable rivers which run through it, and afford the conveniency of water carriage to ſome of the moſt inland parts of it, is perhaps as well fitted by nature as any large country in Europe, to be the ſeat of foreign commerce, of manufactures for diſtant ſale, and of all the improvements which theſe can occaſion. From the beginning of the reign of Elizabeth too, the Engliſh legiſlature has been peculiarly attentive to the intereſts of commerce and manufactures, and in reality there is no country in Europe, Holland itſelf not excepted, of which the law is, upon the whole, more favorable to this ſort of induſtry. Commerce and manufactures have accordingly been continually advancing during all this period. The cultivation and improvement of the country has, no doubt, been gradually advancing too: but it ſeems to have followed ſlowly, and at a diſtance, the more rapid progreſs of commerce and manufactures. The greater

part of the country muſt probably have been cultivated before the reign of Elizabeth ; and a very great part of it ſtill remains uncultivated, and the cultivation of the far greater part, much inferior to what it might be. The law of England, however, favors agriculture not only indirectly by the protection of commerce, but by ſeveral direct encouragements. Except in times of ſcarcity, the exportation of corn is not only free, but encouraged by a bounty. In times of moderate plenty, the importation of foreign corn is loaded with duties that amount to a prohibition. The importation of live cattle, except from Ireland, is prohibited at all times, and it is but of late that it was permitted from thence. Thoſe who cultivate the land, therefore, have a monopoly againſt their countrymen for the two greateſt and moſt important articles of land produce, bread and butcher's-meat. Theſe encouragements, though at bottom, perhaps, as I ſhall endeavour to ſhow hereafter, altogether illuſory, ſufficiently demonſtrate at leaſt the good intention of the legiſlature to favor agriculture. But what is of much more importance than all of them, the yeomanry of England are rendered as ſecure, as independent, and as reſpectable as law can make them. No country, therefore, in which the right of primogeniture takes place, which pays tithes, and where perpetuities, though contrary to the ſpirit of the law, are admitted in ſome caſes, can give more encouragement to agriculture than England. Such, however, notwithſtanding, is the ſtate of its cultivation.

What would it have been, had the law given no direct encouragement to agriculture besides what arises indirectly from the progress of commerce, and had left the yeomanry in the same condition as in most other countries of Europe? It is now more than two hundred years since the beginning of the reign of Elizabeth, a period as long as the course of human prosperity usually endures.

France seems to have had a considerable share of foreign commerce near a century before England was distinguished as a commercial country. The marine of France was considerable, according to the notions of the times, before the expedition of Charles the VIIIth to Naples. The cultivation and improvement of France, however, is, upon the whole, inferior to that of England. The law of the country has never given the same direct encouragement to agriculture.

The foreign commerce of Spain and Portugal to the other parts of Europe, though chiefly carried on in foreign ships, is very considerable. That to their colonies is carried on in their own, and is much greater, on account of the great riches and extent of those colonies. But it has never introduced any considerable manufactures for distant sale into either of those countries, and the greater part of both still remains uncultivated. The foreign commerce of Portugal is of older standing than that of any great country in Europe, except Italy.

Italy is the only great country of Europe which seems to have been cultivated and improved

in every part, by means of foreign commerce and manufactures for diſtant ſale. Before the invaſion of Charles the VIIIth, Italy, according to Guicciardin, was cultivated not leſs in the moſt mountainous and barren parts of the country, than in the plaineſt and moſt fertile. The advantageous ſituation of the country, and the great number of independent ſtates which at that time ſubſiſted in it, probably contributed not a little to this general cultivation. It is not impoſſible too, notwithſtanding this general expreſſion of one of the moſt judicious and reſerved of modern hiſtorians, that Italy was not at that time better cultivated than England is at preſent.

The capital, however, that is acquired to any country by commerce and manufactures, is all a very precarious and uncertain poſſeſſion, till ſome part of it has been ſecured and realized in the cultivation and improvement of its lands. A merchant, it has been ſaid very properly, is not neceſſarily the citizen of any particular country. It is in a great meaſure indifferent to him from what place he carries on his trade; and a very trifling diſguſt will make him remove his capital, and together with it all the induſtry which it ſupports, from one country to another. No part of it can be ſaid to belong to any particular country, till it has been ſpread as it were over the face of that country, either in buildings, or in the laſting improvement of lands. No veſtige now remains of the great wealth, ſaid to have been poſſeſſed by the greater part of the Hans-towns,

except in the obſcure hiſtories of the thirteenth and fourteenth centuries. It is even uncertain where ſome of them were ſituated, or to what towns in Europe the Latin names given to ſome of them belong. But though the misfortunes of Italy in the end of the fifteenth and beginning of the ſixteenth centuries greatly diminiſhed the commerce and manufactures of the cities of Lombardy and Tuſcany, thoſe countries ſtill continue to be among the moſt populous and beſt cultivated in Europe. The civil wars of Flanders, and the Spaniſh government which ſucceeded them, chaſed away the great commerce of Antwerp, Ghent, and Bruges. But Flanders ſtill continues to be one of the richeſt, beſt cultivated, and moſt populous provinces of Europe. The ordinary revolutions of war and government eaſily dry up the ſources of that wealth which ariſes from commerce only. That which ariſes from the more ſolid improvement of agriculture, is much more durable, and cannot be deſtroyed but by thoſe more violent convulſions occaſioned by the depredations of hoſtile and barbarous nations continued for a century or two together; ſuch as thoſe that happened for ſome time before and after the fall of the Roman empire in the weſtern provinces of Europe.

BOOK IV.

Of Syftems of political Oeconomy.

INTRODUCTION.

POLITICAL œconomy, confidered as a branch of the fcience of a ftatefman or legiflator, propofes two diftinct objects: firft, to provide a plentiful revenue or fubfiftence for the people, or more properly to enable them to provide fuch a revenue or fubfiftence for themfelves; and fecondly, to fupply the ftate or common-wealth with a revenue fufficient for the public fervices. It propofes to enrich both the people and the fovereign.

The different progrefs of opulence in different ages and nations, has given occafion to two different fyftems of political œconomy, with regard to enriching the people. The one may be called the fyftem of commerce, the other that of agriculture. I fhall endeavour to explain both as fully and diftinctly as I can, and fhall begin with the fyftem of commerce. It is the modern fyftem, and is beft underftood in our own country and in our own times.

CHAP. I.

Of the Principle of the commercial, or mercantile System.

THAT wealth consists in money, or in gold and silver, is a popular notion which naturally arises from the double function of money, as the instrument of commerce, and as the measure of value. In consequence of its being the instrument of commerce, when we have money we can more readily obtain whatever else we have occasion for, than by means of any other commodity. The great affair, we always find, is to get money. When that is obtained, there is no difficulty in making any subsequent purchase. In consequence of its being the measure of value, we estimate that of all other commodities by the quantity of money which they will exchange for. We say of a rich man that he is worth a great deal, and of a poor man that he is worth very little money. A frugal man, or a man eager to be rich, is said to love money; and a careless, a generous, or a profuse man, is said to be indifferent about it. To grow rich is to get money; and wealth and money, in short, are, in common language, considered as in every respect synonymous.

A rich country, in the same manner as a rich man, is supposed to be a country abounding in money; and to heap up gold and silver in any

country is ſuppoſed to be the readieſt way to enrich it. For ſome time after the diſcovery of America, the firſt inquiry of the Spaniards, when they arrived upon any unknown coaſt, uſed to be, if there was any gold or ſilver to be found in the neighbourhood? By the information which they received, they judged whether it was worth while to make a ſettlement there, or if the country was worth the conquering. Plano Carpino, a monk ſent ambaſſador from the king of France to one of the ſons of the famous Gengis Khan, ſays that the Tartars uſed frequently to aſk him, if there was plenty of ſheep and oxen in the kingdom of France? Their inquiry had the ſame object with that of the Spaniards. They wanted to know if the country was rich enough to be worth the conquering. Among the Tartars, as among all other nations of ſhepherds, who are generally ignorant of the uſe of money, cattle are the inſtruments of commerce and the meaſures of value. Wealth, therefore, according to them, conſiſted in cattle, as according to the Spaniards it conſiſted in gold and ſilver. Of the two, the Tartar notion, perhaps, was the neareſt to the truth.

Mr. Locke remarks a diſtinction between money and other moveable goods. All other moveable goods, he ſays, are of ſo conſumable a nature that the wealth which conſiſts in them cannot be much depended on, and a nation which abounds in them one year may, without any exportation, but merely by their own waſte and extravagance, be in great want of them the

next. Money, on the contrary, is a ſteady friend, which, though it may travel about from hand to hand, yet if it can be kept from going out of the country, is not very liable to be waſted and conſumed. Gold and ſilver, therefore, are, according to him, the moſt ſolid and ſubſtantial part of the moveable wealth of a nation, and to multiply thoſe metals ought, he thinks, upon that account, to be the great object of its political œconomy.

Others admit that if a nation could be ſeparated from all the world, it would be of no conſequence how much, or how little money circulated in it. The conſumable goods which were circulated by means of this money, would only be exchanged for a greater or a ſmaller number of pieces; but the real wealth or poverty of the country, they allow, would depend altogether upon the abundance or ſcarcity of thoſe conſumable goods. But it is otherwiſe, they think, with countries which have connexions with foreign nations, and which are obliged to carry on foreign wars, and to maintain fleets and armies in diſtant countries. This, they ſay, cannot be done, but by ſending abroad money to pay them with; and a nation cannot ſend much money abroad, unleſs it has a good deal at home. Every ſuch nation, therefore, muſt endeavour in time of peace to accumulate gold and ſilver, that, when occaſion requires, it may have where-withal to carry on foreign wars.

In conſequence of theſe popular notions, all the different nations of Europe have ſtudied, though to little purpoſe, every poſſible means of

accumulating gold and ſilver in their reſpective countries. Spain and Portugal, the proprietors of the principal mines which ſupply Europe with thoſe metals, have either prohibited their exportation under the ſevereſt penalties, or ſubjected it to a conſiderable duty. The like prohibition ſeems anciently to have made a part of the policy of moſt other European nations. It is even to be found, where we ſhould leaſt of all expect to find it, in ſome old Scotch acts of parliament, which forbid under heavy penalties the carrying gold or ſilver *forth of the kingdom.* The like policy anciently took place both in France and England.

When thoſe countries became commercial, the merchants found this prohibition, upon many occaſions, extremely inconvenient. They could frequently buy more advantageouſly with gold and ſilver than with any other commodity, the foreign goods which they wanted, either to import into their own, or to carry to ſome other foreign country. They remonſtrated, therefore, againſt this prohibition as hurtful to trade.

They repreſented, firſt, that the exportation of gold and ſilver in order to purchaſe foreign goods, did not always diminiſh the quantity of thoſe metals in the kingdom. That, on the contrary, it might frequently increaſe that quantity; becauſe, if the conſumption of foreign goods was not thereby increaſed in the country, thoſe goods might be re-exported to foreign countries, and being there ſold for a large profit, might bring back much more treaſure

than was originally ſent out to purchaſe them. Mr. Mun compares this operation of foreign trade to the ſeed-time and harveſt of agriculture. " If we only behold," ſays he, " the actions of " the huſbandman in the ſeed-time, when he " caſteth away much good corn into the ground, " we ſhall account him rather a madman than a " huſbandman. But when we conſider his la- " bors in the harveſt, which is the end of his " endeavours, we ſhall find the worth and plenti- " ful increaſe of his actions."

They repreſented, ſecondly, that this prohibition could not hinder the exportation of gold and ſilver, which, on account of the ſmallneſs of their bulk in proportion to their value, could eaſily be ſmuggled abroad. That this exportation could only be prevented by a proper attention to, what they called, the balance of trade. That when the country exported to a greater value than it imported, a balance became due to it from foreign nations, which was neceſſarily paid to it in gold and ſilver, and thereby increaſed the quantity of thoſe metals in the kingdom. But that when it imported to a greater value than it exported, a contrary balance became due to foreign nations, which was neceſſarily paid to them in the ſame manner, and thereby diminiſhed that quantity. That in this caſe to prohibit the exportation of thoſe metals could not prevent it, but only, by making it more dangerous, render it more expenſive. That the exchange was thereby turned more againſt the country which owed the balance, than

it otherwife might have been, the merchant who purchafed a bill upon the foreign country being obliged to pay the banker who fold it, not only for the natural rifk, trouble and expenfe of fending the money thither, but for the extraordinary rifk arifing from the prohibition. But that the more the exchange was againft any country, the more the balance of trade became neceffarily againft it; the money of that country becoming neceffarily of fo much lefs value, in comparifon with that of the country to which the balance was due. That if the exchange between England and Holland, for example, was five per cent. againft England, it would require a hundred and five ounces of filver in England to purchafe a bill for a hundred ounces of filver in Holland: that a hundred and five ounces of filver in England, therefore, would be worth only a hundred ounces of filver in Holland, and would purchafe only a proportionable quantity of Dutch goods: but that a hundred ounces of filver in Holland, on the contrary, would be worth a hundred and five ounces in England, and would purchafe a proportionable quantity of Englifh goods: that the Englifh goods which were fold to Holland would be fold fo much cheaper; and the Dutch goods which were fold to England, fo much dearer, by the difference of the exchange; that the one would draw fo much lefs Dutch money to England, and the other fo much more Englifh money to Holland, as this difference amounted to: and that the balance of trade, therefore, would neceffarily be

ſo much more againſt England, and would require a greater balance of gold and ſilver to be exported to Holland.

Thoſe arguments were partly ſolid and partly ſophiſtical. They were ſolid ſo far as they aſſerted that the exportation of gold and ſilver in trade might frequently be advantageous to the country. They were ſolid too, in aſſerting that no prohibition could prevent their exportation, when private people found any advantage in exporting them. But they were ſophiſtical in ſuppoſing, that either to preſerve or to augment the quantity of thoſe metals required more the attention of government, than to preſerve or to augment the quantity of any other uſeful commodities, which the freedom of trade, without any ſuch attention, never fails to ſupply in the proper quantity. They were ſophiſtical too, perhaps, in aſſerting that the high price of exchange neceſſarily increaſed, what they called, the unfavorable balance of trade, or occaſioned the exportation of a greater quantity of gold and ſilver. That high price, indeed, was extremely diſadvantageous to the merchants who had any money to pay in foreign countries. They paid ſo much dearer for the bills which their bankers granted them upon thoſe countries. But though the riſk ariſing from the prohibition might occaſion ſome extraordinary expenſe to the bankers, it would not neceſſarily carry any more money out of the country. This expenſe would generally be all laid out in the country, in ſmuggling the money out of it, and could ſeldom occaſion

the exportation of a ſingle ſix-pence beyond the preciſe ſum drawn for. The high price of exchange too would naturally diſpoſe the merchants to endeavour to make their exports nearly balance their imports, in order that they might have this high exchange to pay upon as ſmall a ſum as poſſible. The high price of exchange, beſides, muſt neceſſarily have operated as a tax, in raiſing the price of foreign goods, and thereby diminiſhing their conſumption. It would tend, therefore, not to increaſe, but to diminiſh, what they called, the unfavorable balance of trade, and conſequently the exportation of gold and ſilver.

Such as they were, however, thoſe arguments convinced the people to whom they were addreſſed. They were addreſſed by merchants to parliaments, and to the councils of princes, to nobles, and to country gentlemen; by thoſe who were ſuppoſed to underſtand trade, to thoſe who were conſcious to themſelves that they knew nothing about the matter. That foreign trade enriched the country, experience demonſtrated to the nobles and country gentlemen, as well as to the merchants; but how, or in what manner, none of them well knew. The merchants knew perfectly in what manner it enriched themſelves. It was their buſineſs to know it. But to know in what manner it enriched the country, was no part of their buſineſs. This ſubject never came into their conſideration, but when they had occaſion to apply to their country for ſome change in the laws relating to foreign trade. It then became

neceſſary to ſay ſomething about the beneficial effects of foreign trade, and the manner in which thoſe effects were obſtructed by the laws as they then ſtood. To the judges who were to decide the buſineſs, it appeared a moſt ſatisfactory account of the matter, when they were told that foreign trade brought money into the country, but that the laws in queſtion hindered it from bringing ſo much as it otherwiſe would do. Thoſe arguments therefore produced the wiſhed-for effect. The prohibition of exporting gold and ſilver was in France and England confined to the coin of thoſe reſpective countries. The exportation of foreign coin and of bullion was made free. In Holland, and in ſome other places, this liberty was extended even to the coin of the country. The attention of government was turned away from guarding againſt the exportation of gold and ſilver, to watch over the balance of trade, as the only cauſe which could occaſion any augmentation or diminution of thoſe metals. From one fruitleſs care it was turned away to another care much more intricate, much more embarraſſing, and juſt equally fruitleſs. The title of Mun's book, England's Treaſure in Foreign Trade, became a fundamental maxim in the political œconomy, not of England only, but of all other commercial countries. The inland or home trade, the moſt important of all, the trade in which an equal capital affords the greateſt revenue, and creates the greateſt employment to the people of the country, was conſidered as ſubſidiary only to foreign trade. It

neither brought money into the country, it was ſaid, nor carried any out of it. The country therefore could never become either richer or poorer by means of it, except ſo far as its proſperity or decay might indirectly influence the ſtate of foreign trade.

A country that has no mines of its own muſt undoubtedly draw its gold and ſilver from foreign countries, in the ſame manner as one that has no vineyards of its own muſt draw its wines. It does not ſeem neceſſary, however, that the attention of government ſhould be more turned towards the one than towards the other object. A country that has wherewithal to buy wine, will always get the wine which it has occaſion for; and a country that has wherewithal to buy gold and ſilver, will never be in want of thoſe metals. They are to be bought for a certain price like all other commodities, and as they are the price of all other commodities, ſo all other commodities are the price of thoſe metals. We truſt with perfect ſecurity that the freedom of trade, without any attention of government, will always ſupply us with the wine which we have occaſion for: and we may truſt with equal ſecurity that it will always ſupply us with all the gold and ſilver which we can afford to purchaſe or to employ, either in circulating our commodities, or in other uſes.

The quantity of every commodity which human induſtry can either purchaſe or produce, naturally regulates itſelf in every country according to the effectual demand, or according to the

demand

demand of thofe who are willing to pay the whole rent, labor and profits which muft be paid in order to prepare and bring it to market. But no commodities regulate themfelves more eafily or more exactly according to this effectual demand than gold and filver; becaufe, on account of the fmall bulk and great value of thofe metals, no commodities can be more eafily tranfported from one place to another, from the places where they are cheap, to thofe where they are dear, from the places where they exceed, to thofe where they fall fhort of this effectual demand. If there were in England, for example, an effectual demand for an additional quantity of gold, a packet-boat could bring from Lifbon, or from wherever elfe it was to be had, fifty tuns of gold, which could be coined into more than five millions of guineas. But if there were an effectual demand for grain to the fame value, to import it would require, at five guineas a tun, a million of tuns of fhipping, or a thoufand fhips of a thoufand tuns each. The navy of England would not be fufficient,

When the quantity of gold and filver imported into any country exceeds the effectual demand, no vigilance of government can prevent their exportation. All the fanguinary laws of Spain and Portugal are not able to keep their gold and filver at home. The continual importations from Peru and Brazil exceed the effectual demand of thofe countries, and fink the price of thofe metals there below that in the neighbouring countries. If, on the contrary, in any particular country their

quantity fell ſhort of the effectual demand, ſo as to raiſe their price above that of the neighbouring countries, the government would have no occaſion to take any pains to import them. If it were even to take pains to prevent their importation, it would not be able to effectuate it. Thoſe metals, when the Spartans had got wherewithal to purchaſe them, broke through all the barriers which the laws of Lycurgus oppoſed to their entrance into Lacedemon. All the ſanguinary laws of the cuſtoms are not able to prevent the importation of the teas of the Dutch and Gottenburgh Eaſt India companies; becauſe ſomewhat cheaper than thoſe of the Britiſh company. A pound of tea, however, is about a hundred times the bulk of one of the higheſt prices, ſixteen ſhillings, that is commonly paid for it in ſilver, and more than two thouſand times the bulk of the ſame price in gold, and conſequently juſt ſo many times more difficult to ſmuggle.

It is partly owing to the eaſy tranſportation of gold and ſilver from the places where they abound to thoſe where they are wanted, that the price of thoſe metals does not fluctuate continually like that of the greater part of other commodities, which are hindered by their bulk from ſhifting their ſituation, when the market happens to be either over or under-ſtocked with them. The price of thoſe metals, indeed, is not altogether exempted from variation, but the changes to which it is liable are generally ſlow, gradual, and uniform. In Europe, for example, it is ſuppoſed, without

much foundation, perhaps, that, during the courſe of the preſent and preceding century, they have been conſtantly, but gradually, ſinking in their value, on account of the continual importations from the Spaniſh Weſt Indies. But to make any ſudden change in the price of gold and ſilver, ſo as to raiſe or lower at once, ſenſibly and remarkably, the money price of all other commodities, requires ſuch a revolution in commerce as that occaſioned by the diſcovery of America.

If, notwithſtanding all this, gold and ſilver ſhould at any time fall ſhort in a country which has wherewithal to purchaſe them, there are more expedients for ſupplying their place, than that of almoſt any other commodity. If the materials of manufacture are wanted, induſtry muſt ſtop. If proviſions are wanted, the people muſt ſtarve. But if money is wanted, barter will ſupply its place, though with a good deal of inconveniency. Buying and ſelling upon credit, and the different dealers compenſating their credits with one another once a month or twice a year, will ſupply it with leſs inconveniency. A well-regulated paper money will ſupply it, not only without any inconveniency, but, in ſome caſes, with ſome advantages. Upon every account, therefore, the attention of government never was ſo unneceſſarily employed, as when directed to watch over the preſervation or increaſe of the quantity of money in any country.

No complaint, however, is more common than that of a ſcarcity of money. Money, like wine,

muſt always be ſcarce with thoſe who have neither wherewithal to buy it, nor credit to borrow it. Thoſe who have either, will ſeldom be in want either of the money, or of the wine which they have occaſion for. This complaint, however, of the ſcarcity of money, is not always confined to improvident ſpendthrifts. It is ſometimes general through a whole mercantile town, and the country in its neighbourhood. Over-trading is the common cauſe of it. Sober men, whoſe projects have been diſproportioned to their capitals, are as likely to have neither wherewithal to buy money, nor credit to borrow it, as prodigals whoſe expenſe has been diſproportioned to their revenue. Before their projects can be brought to bear, their ſtock is gone, and their credit with it. They run about every-where to borrow money, and every body tells them that they have none to lend. Even ſuch general complaints of the ſcarcity of money do not always prove that the uſual number of gold and ſilver pieces are not circulating in the country, but that many people want thoſe pieces who have nothing to give for them. When the profits of trade happen to be greater than ordinary, over-trading becomes a general error both among great and ſmall dealers. They do not always ſend more money abroad than uſual, but they buy upon credit both at home and abroad, an unuſual quantity of goods, which they ſend to ſome diſtant market, in hopes that the returns will come in before the demand for payment. The demand comes before the returns, and they have nothing

at hand, with which they can either purchafe money, or give folid fecurity for borrowing. It is not any fcarcity of gold and filver, but the difficulty which fuch people find in borrowing, and which their creditors find in getting payment, that occafions the general complaint of the fcarcity of money.

It would be too ridiculous to go about ferioufly to prove, that wealth does not confift in money, or in gold and filver; but in what money purchafes, and is valuable only for purchafing. Money, no doubt, makes always a part of the national capital, but it has already been fhown that it generally makes but a fmall part, and always the moft unprofitable part of it.

It is not becaufe wealth confifts more effentially in money than in goods, that the merchant finds it generally more eafy to buy goods with money, than to buy money with goods; but becaufe money is the known and eftablifhed inftrument of commerce, for which every thing is readily given in exchange, but which is not always with equal readinefs to be got in exchange for every thing. The greater part of goods befides are more perifhable than money, and he may frequently fuftain a much greater lofs by keeping them. When his goods are upon hand too, he is more liable to fuch demands for money as he may not be able to anfwer, than when he has got their price in his coffers. Over and above all this, his profit arifes more directly from felling than from buying, and he is upon all thefe accounts generally much more anxious to exchange his goods for money,

than his money for goods. But though a particular merchant, with abundance of goods in his warehoufe, may fometimes be ruined by not being able to fell them in time, a nation or country is not liable to the fame accident. The whole capital of a merchant frequently confifts in perifhable goods deftined for purchafing money. But it is but a very fmall part of the annual produce of the land and labor of a country which can ever be deftined for purchafing gold and filver from their neighbours. The far greater part is circulated and confumed among themfelves; and even of the furplus which is fent abroad, the greater part is generally deftined for the purchafe of other foreign goods. Though gold and filver, therefore, could not be had in exchange for the goods deftined to purchafe them, the nation would not be ruined. It might, indeed, fuffer fome lofs and inconveniency, and be forced upon fome of thofe expedients which are neceffary for fupplying the place of money. The annual produce of its land and labor, however, would be the fame, or very nearly the fame, as ufual, becaufe the fame, or very nearly the fame confumable capital would be employed in maintaining it. And though goods do not always draw money fo readily as money draws goods, in the long-run they draw it more neceffarily than even it draws them. Goods can ferve many other purpofes befides purchafing money, but money can ferve no other purpofe befides purchafing goods. Money, therefore, neceffarily runs after goods, but goods do not always or neceffarily run after money. The man who buys, does not always mean to fell again but fre-

quently to ufe or to confume; whereas he who fells, always means to buy again. The one may frequently have done the whole, but the other can never have done more than one-half of his bufinefs. It is not for its own fake that men defire money, but for the fake of what they can purchafe with it

Confumable commodities, it is faid, are foon deftroyed; whereas gold and filver are of a more durable nature, and, were it not for this continual exportation, might be accumulated for ages together, to the incredible augmentation of the real wealth of the countiy. Nothing, therefore, it is pretended, can be more difadvantageous to any country, than the trade which confifts in the exchange of fuch lafting for fuch perifhable commodities. We do not, however, reckon that trade difadvantageous which confifts in the exchange of the hard-ware of England for the wines of France; and yet hard-ware is a very durable commodity, and were it not for this continual exportation, might too be accumulated for ages together, to the incredible augmentation of the pots and pans of the country. But it readily occurs that the number of fuch utenfils is in every country neceffarily limited by the ufe which there is for them; that it would be abfurd to have more pots and pans than were neceffary for cooking the victuals ufually confumed there; and that if the quantity of victuals were to increafe, the number of pots and pans would readily increafe along with it, a part of the increafed quantity of victuals being employed in purchafing them, or in maintaining an additional

number of workmen whofe bufinefs it was to make them. It fhould as readily occur that the quantity of gold and filver is in every country limited by the ufe which there is for thofe metals; that their ufe confifts in circulating commodities as coin, and in affording a fpecies of houfhold furniture as plate; that the quantity of coin in every country is regulated by the value of the commodities which are to be circulated by it: increafe that value, and immediately a part of it will be fent abroad to purchafe, wherever it is to be had, the additional quantity of coin requifite for circulating them: that the quantity of plate is regulated by the number and wealth of thofe private families who chufe to indulge themfelves in that fort of magnificence: increafe the number and wealth of fuch families, and a part of this increafed wealth will moft probably be employed in purchafing, wherever it is to be found, an additional quantity of plate: that to attempt to increafe the wealth of any country, either by introducing or by detaining in it an unneceffary quantity of gold and filver, is as abfurd as it would be to attempt to increafe the good cheer of private families, by obliging them to keep an unneceffary number of kitchen utenfils. As the expenfe of purchafing thofe unneceffary utenfils would diminifh inftead of increafing either the quantity or goodnefs of the family provifions; fo the expenfe of purchafing an unneceffary quantity of gold and filver muft, in every country, as neceffarily diminifh the wealth which feeds, clothes, and

lodges, which maintains and employs the people. Gold and ſilver, whether in the ſhape of coin or of plate, are utenſils, it muſt be remembered, as much as the furniture of the kitchen. Increaſe the uſe for them, increaſe the conſumable commodities which are to be circulated, managed, and prepared by means of them, and you will infallibly increaſe the quantity; but if you attempt, by extraordinary means, to increaſe the quantity, you will as infallibly diminiſh the uſe and even the quantity too, which in thoſe metals can never be greater than what the uſe requires. Were they ever to be accumulated beyond this quantity, their tranſportation is ſo eaſy, and the loſs which attends their lying idle and unemployed ſo great, that no law could prevent their being immediately ſent out of the country.

It is not always neceſſary to accumulate gold and ſilver, in order to enable a country to carry on foreign wars, and to maintain fleets and armies in diſtant countries. Fleets and armies are maintained, not with gold and ſilver, but with conſumable goods. The nation which, from the annual produce of its domeſtic induſtry, from the annual revenue ariſing out of its lands, labor, and conſumable ſtock, has wherewithal to purchaſe thoſe conſumable goods in diſtant countries, can maintain foreign wars there.

A nation may purchaſe the pay and proviſions of an army in a diſtant country three different ways; by ſending abroad either, firſt, ſome part of its accumulated gold and ſilver; or ſecondly,

ſome part of the annual produce of its manufactures; or laſt of all, ſome part of its annual rude produce.

The gold and ſilver which can properly be conſidered as accumulated or ſtored up in any country, may be diſtinguiſhed into three parts; firſt, the circulating money; ſecondly, the plate of private families; and laſt of all, the money which may have been collected by many years parſimony, and laid up in the treaſury of the prince.

It can ſeldom happen that much can be ſpared from the circulating money of the country; becauſe in that there can ſeldom be much redundancy. The value of goods annually bought and ſold in any country requires a certain quantity of money to circulate and diſtribute them to their proper conſumers, and can give employment to no more. The channel of circulation neceſſarily draws to itſelf a ſum ſufficient to fill it, and never admits any more. Something, however, is generally withdrawn from this channel in the caſe of foreign war. By the great number of people who are maintained abroad, fewer are maintained at home. Fewer goods are circulated there, and leſs money becomes neceſſary to circulate them. An extraordinary quantity of paper money, of ſome ſort or other too, ſuch as exchequer notes, navy bills, and bank bills in England, is generally iſſued upon ſuch occaſions, and by ſupplying the place of circulating gold and ſilver, gives an opportunity of ſending a greater quantity of it abroad. All

this, however, could afford but a poor reſource for maintaining a foreign war, of great expenſe and ſeveral years duration.

The melting down the plate of private families, has upon every occaſion been found a ſtill more inſignificant one. The French, in the beginning of the laſt war, did not derive ſo much advantage from this expedient as to compenſate the loſs of the faſhion.

The accumulated treaſures of the prince have, in former times, afforded a much greater and more laſting reſource. In the preſent times, if you except the king of Pruſſia, to accumulate treaſure ſeems to be no part of the policy of European princes.

The funds which maintained the foreign wars of the preſent century, the moſt expenſive perhaps which hiſtory records, ſeem to have had little dependency upon the exportation either of the circulating money, or of the plate of private families, or of the treaſure of the prince. The laſt French war coſt Great Britain upwards of ninety millions, including not only the ſeventy-five millions of new debt that was contracted, but the additional two ſhillings in the pound land tax, and what was annually borrowed of the ſinking fund. More than two-thirds of this expenſe were laid out in diſtant countries; in Germany, Portugal, America; in the ports of the Mediterranean, in the Eaſt and Weſt Indies. The kings of England had no accumulated treaſure. We never heard of any extraordinary quantity of plate being melted down. The circulating gold

and ſilver of the country had not been ſuppoſed to exceed eighteen millions. Since the late recoinage of the gold, however, it is believed to have been a good deal under-rated. Let us ſuppoſe, therefore, according to the moſt exaggerated computation which I remember to have either ſeen or heard of, that, gold and ſilver together, it amounted to thirty millions. Had the war been carried on, by means of our money, the whole of it muſt, even according to this computation, have been ſent out and returned again at leaſt twice, in a period of between ſix and ſeven years. Should this be ſuppoſed, it would afford the moſt deciſive argument to demonſtrate how unneceſſary it is for government to watch over the preſervation of money, ſince upon this ſuppoſition the whole money of the country muſt have gone from it and returned to it again, two different times in ſo ſhort a period, without any body's knowing any thing of the matter. The channel of circulation, however, never appeared more empty than uſual during any part of this period. Few people wanted money who had wherewithal to pay for it. The profits of foreign trade, indeed, were greater than uſual during the whole war, but eſpecially towards the end of it. This occaſioned, what it always occaſions, a general over-trading in all the ports of Great Britain; and this again occaſioned the uſual complaint of the ſcarcity of money, which always follows over-trading. Many people wanted it, who had neither wherewithal to buy it, nor credit to borrow it; and becauſe the debtors

found it difficult to borrow, the creditors found it difficult to get payment. Gold and ſilver, however, were generally to be had for their value, by thoſe who had that value to give for them.

The enormous expenſe of the late war, therefore, muſt have been chiefly defrayed, not by the exportation of gold and ſilver, but by that of Britiſh commodities of ſome kind or other. When the government, or thoſe who acted under them, contracted with a merchant for a remittance to ſome foreign country, he would naturally endeavour to pay his foreign correſpondent, upon whom he had granted a bill, by ſending abroad rather commodities than gold and ſilver. If the commodities of Great Britain were not in demand in that country, he would endeavour to ſend them to ſome other country, in which he could purchaſe a bill upon that country. The tranſportation of commodities, when properly ſuited to the market, is always attended with a conſiderable profit; whereas that of gold and ſilver is ſcarce ever attended with any. When thoſe metals are ſent abroad in order to purchaſe foreign commodities, the merchant's profit ariſes, not from the purchaſe, but from the ſale of the returns. But when they are ſent abroad merely to pay a debt, he gets no returns, and conſequently no profit. He naturally, therefore, exerts his invention to find out a way of paying his foreign debts, rather by the exportation of commodities than by that of gold and ſilver. The great quantity of Britiſh goods exported

during the courfe of the late war, without bringing back any returns, is accordingly remarked by the author of The Prefent State of the Nation.

Befides the three forts of gold and filver above-mentioned, there is in all great commercial countries a good deal of bullion alternately imported and exported for the purpofes of foreign trade. This bullion, as it circulates among different commercial countries in the fame manner as the national coin circulates in every particular country, may be confidered as the money of the great mercantile republic. The national coin receives its movement and direction from the commodities circulated within the precincts of each particular country: the money of the mercantile republic, from thofe circulated between different countries. Both are employed in facilitating exchanges, the one between different individuals of the fame, the other between thofe of different nations. Part of this money of the great mercantile republic may have been, and probably was, employed in carrying on the late war. In time of a general war, it is natural to fuppofe that a movement and direction fhould be impreffed upon it, different from what it ufually follows in profound peace; that it fhould circulate more about the feat of the war, and be more employed in purchafing there, and in the neighbouring countries, the pay and provifions of the different armies. But whatever part of this money of the mercantile republic, Great Britain may have annually employed in this

manner, it muſt have been annually purchaſed, either with Britiſh commodities, or with ſomething elſe that had been purchaſed with them; which ſtill brings us back to commodities, to the annual produce of the land and labor of the country, as the ultimate reſources which enabled us to carry on the war. It is natural indeed to ſuppoſe, that ſo great an annual expenſe muſt have been defrayed from a great annual produce. The expenſe of 1761, for example, amounted to more than nineteen millions. No accumulation could have ſupported ſo great an annual profuſion. There is no annual produce even of gold and ſilver which could have ſupported it. The whole gold and ſilver annually imported into both Spain and Portugal, according to the beſt accounts, does not commonly much exceed ſix millions ſterling, which, in ſome years, would ſcarce have paid four months expenſe of the late war.

The commodities moſt proper for being tranſported to diſtant countries, in order to purchaſe there, either the pay and proviſions of an army, or ſome part of the money of the mercantile republic to be employed in purchaſing them, ſeem to be the finer and more improved manufactures; ſuch as contain a great value in a ſmall bulk, and can, therefore, be exported to a great diſtance at little expenſe. A country whoſe induſtry produces a great annual ſurplus of ſuch manufactures, which are uſually exported to foreign countries, may carry on for many years a very expenſive foreign war, without either exporting any

confiderable quantity of gold and filver, or even having any fuch quantity to export. A confiderable part of the annual furplus of its manufactures muft, indeed, in this cafe be exported, without bringing back any returns to the country, though it does to the merchant; the government purchafing of the merchant his bills upon foreign countries, in order to purchafe there the pay and provifions of an army. Some part of this furplus, however, may ftill continue to bring back a return. The manufacturers, during the war, will have a double demand upon them, and be called upon, firft, to work up goods to be fent abroad, for paying the bills drawn upon foreign countries for the pay and provifions of the army; and, fecondly, to work up fuch as are neceffary for purchafing the common returns that had ufually been confumed in the country. In the midft of the moft deftructive foreign war, therefore, the greater part of manufactures may frequently flourifh greatly; and, on the contrary, they may decline on the return of the peace. They may flourifh amidft the ruin of their country, and begin to decay upon the return of its profperity. The different ftate of many different branches of the Britifh manufactures during the late war, and for fome time after the peace, may ferve as an illuftration of what has been juft now faid.

No foreign war of great expenfe or duration could conveniently be carried on by the exportation of the rude produce of the foil. The expenfe of fending fuch a quantity of it to a foreign

foreign country as might purchafe the pay and provifions of an army, would be too great. Few countries too produce much more rude produce than what is fufficient for the fubfiftence of their own inhabitants. To fend abroad any great quantity of it, therefore, would be to fend abroad a part of the neceffary fubfiftence of the people. It is otherwife with the exportation of manufactures. The maintenance of the people employed in them is kept at home, and only the furplus part of their work is exported. Mr. Hume frequently takes notice of the inability of the ancient kings of England to carry on, without interruption, any foreign war of long duration. The Englifh, in thofe days, had nothing wherewithal to purchafe the pay and provifions of their armies in foreign countries, but either the rude produce of their foil, of which no confiderable part could be fpared from the home confumption, or a few manufactures of the coarfeft kind, of which, as well as of the rude produce, the tranfportation was too expenfive. This inability did not arife from the want of money, but of the finer and more improved manufactures. Buying and felling was tranfacted by means of money in England then, as well as now. The quantity of circulating money muft have borne the fame proportion to the number and value of purchafes and fales ufually tranfacted at that time, which it does to thofe tranfacted at prefent; or rather it muft have borne a greater proportion because there was then no paper, which now occupies a great part of the employment of gold

and ſilver. Among nations to whom commerce and manufactures are little known, the ſovereign, upon extraordinary occaſions, can ſeldom draw, any conſiderable aid from his ſubjects, for reaſons which ſhall be explained hereafter. It is in ſuch countries, therefore, that he generally endeavours to accumulate a treaſure, as the only reſource againſt ſuch emergencies. Independent of this neceſſity, he is in ſuch a ſituation naturally diſpoſed to the parſimony requiſite for accumulation. In that ſimple ſtate, the expenſe even of a ſovereign is not directed by the vanity which delights in the gaudy finery of a court, but is employed in bounty to his tenants, and hoſpitality to his retainers. But bounty and hoſpitality very ſeldom lead to extravagance; though vanity almoſt always does. Every Tartar chief accordingly, has a treaſure. The treaſures of Mazepa, chief of the Coſſacs in the Ukraine, the famous ally of Charles the XIIth, are ſaid to have been very great. The French kings of the Merovingian race had all treaſures. When they divided their kingdom among their different children, they divided their treaſure too. The Saxon princes, and the firſt kings after the conqueſt, ſeem likewiſe to have accumulated treaſures. The firſt exploit of every new reign was commonly to ſeize the treaſure of the preceding king, as the moſt eſſential meaſure for ſecuring the ſucceſſion. The ſovereigns of improved and commercial countries are not under the ſame neceſſity of accumulating treaſures, becauſe they can generally draw from their ſubjects extraordinary

aids upon extraordinary occaſions. They are likewiſe leſs diſpoſed to do ſo. They naturally, perhaps neceſſarily, follow the mode of the times, and their expenſe comes to be regulated by the ſame extravagant vanity which directs that of all the other great proprietors in their dominions. The inſignificant pageantry of their court becomes every day more brilliant, and the expenſe of it not only prevents accumulation, but frequently encroaches upon the funds deſtined for more neceſſary expenſes. What Dercyllidas ſaid of the court of Perſia, may be applied to that of ſeveral European princes, that he ſaw there much ſplendor but little ſtrength, and many ſervants but few ſoldiers.

The importation of gold and ſilver is not the principal, much leſs the ſole benefit which a nation derives from its foreign trade. Between whatever places foreign trade is carried on, they all of them derive two diſtinct benefits from it. It carries out that ſurplus part of the produce of their land and labor for which there is no demand among them, and brings back in return for it ſomething elſe for which there is a demand. It gives a value to their ſuperfluities, by exchanging them for ſomething elſe, which may ſatisfy a part of their wants, and increaſe their enjoyments. By means of it, the narrowneſs of the home market does not hinder the diviſion of labor in any particular branch of art or manufacture from being carried to the higheſt perfection. By opening a more extenſive market for whatever part of the produce of their labor

may exceed the home confumption, it encourages them to improve its productive powers and to augment its annual produce to the utmoft, and thereby to increafe the real revenue and wealth of the fociety. Thefe great and important fervices foreign trade is continually occupied in performing, to all the different countries between which it is carried on. They all derive great benefit from it, though that in which the merchant refides generally derives the greateft, as he is generally more employed in fupplying the wants, and carrying out the fuperfluities of his own, than of any other particular country. To import the gold and filver which may be wanted, into the countries which have no mines, is, no doubt, a part of the bufinefs of foreign commerce. It is, however, a moft infignificant part of it. A country which carried on foreign trade merely upon this account, could fcarce have occafion to freight a fhip in a century.

It is not by the importation of gold and filver, that the difcovery of America has enriched Europe. By the abundance of the American mines, thofe metals have become cheaper. A fervice of plate can now be purchafed for about a third part of the corn, or a third part of the labor, which it would have coft in the fifteenth century. With the fame annual expenfe of labor and commodities, Europe can annually purchafe about three times the quantity of plate which it could have purchafed at that time. But when a commodity comes to be fold for a third part of what had been its ufual price, not

only thofe who purchafed it before can purchafe three times their former quantity, but it is brought down to the level of a much greater number of purchafers, perhaps to more than ten, perhaps to more than twenty times the former number. So that there may be in Europe at prefent not only more than three times, but more than twenty or thirty times the quantity of plate which would have been in it, even in its prefent ftate of improvement, had the difcovery of the American mines never been made. So far Europe has, no doubt, gained a real conveniency, though furely a very trifling one. The cheapnefs of gold and filver renders thofe metals rather lefs fit for the purpofes of money than they were before. In order to make the fame purchafes, we muft load ourfelves with a greater quantity of them, and carry about a fhilling in our pocket where a groat would have done before. It is difficult to fay which is moft trifling, this inconveniency, or the oppofite conveniency. Neither the one nor the other could have made any very effential change in the ftate of Europe. The difcovery of America, however, certainly made a moft effential one. By opening a new and inexhauftible market to all the commodities of Europe, it gave occafion to new divifions of labor and improvements of art, which, in the narrow circle of the ancient commerce, could never have taken place for want of a market to take off the greater part of their produce. The productive powers of labor were improved, and its produce increafed in all the different countries

of Europe, and together with it the real revenue and wealth of the inhabitants. The commodities of Europe were almoſt all new to America, and many of thoſe of America were new to Europe. A new ſet of exchanges, therefore, began to take place which had never been thought of before, and which ſhould naturally have proved as advantageous to the new, as it certainly did to the old continent. The ſavage injuſtice of the Europeans rendered an event, which ought to have been beneficial to all, ruinous and deſtructive to ſeveral of thoſe unfortunate countries.

The diſcovery of a paſſage to the Eaſt Indies, by the Cape of Good Hope, which happened much about the ſame time, opened, perhaps, a ſtill more extenſive range to foreign commerce than even that of America, notwithſtanding the greater diſtance. There were but two nations in America, in any reſpect ſuperior to ſavages, and theſe were deſtroyed almoſt as ſoon as diſcovered. The reſt were mere ſavages. But the empires of China, Indoſtan, Japan, as well as ſeveral others in the Eaſt Indies, without having richer mines of gold or ſilver, were in every other reſpect much richer, better cultivated, and more advanced in all arts and manufactures than either Mexico or Peru, even though we ſhould credit, what plainly deſerves no credit, the exaggerated accounts of the Spaniſh writers, concerning the ancient ſtate of thoſe empires. But rich and civilized nations can always exchange to a much greater value with one another, than

with ſavages and barbarians. Europe, however, has hitherto derived much leſs advantage from its commerce with the Eaſt Indies, than from that with America. The Portugueſe monopolized the Eaſt India trade to themſelves for about a century, and it was only indirectly and through them, that the other nations of Europe could either ſend out or receive any goods from that country. When the Dutch, in the beginning of the laſt century, began to encroach upon them, they veſted their whole Eaſt India commerce in an excluſive company. The Engliſh, French, Swedes, and Danes, have all followed their example, ſo that no great nation in Europe has ever yet had the benefit of a free commerce to the Eaſt Indies. No other reaſon need be aſſigned why it has never been ſo advantageous as the trade to America, which, between almoſt every nation of Europe and its own colonies, is free to all its ſubjects. The excluſive privileges of thoſe Eaſt India companies, their great riches, the great favor and protection which theſe have procured them from their reſpective governments, have excited much envy againſt them. This envy has frequently repreſented their trade as altogether pernicious, on account of the great quantities of ſilver, which it every year exports from the countries from which it is carried on. The parties concerned have replied, that their trade, by this continual exportation of ſilver, might, indeed, tend to impoveriſh Europe in general, but not the particular country from which it was carried on; becauſe, by the exportation

of a part of the returns to other European countries, it annually brought home a much greater quantity of that metal than it carried out. Both the objection and the reply are founded in the popular notion which I have been juft now examining. It is, therefore, unneceffary to fay any thing further about either. By the annual exportation of filver to the Eaft Indies, plate is probably fomewhat dearer in Europe than it otherwife might have been; and coined filver probably purchafes a larger quantity both of labor and commodities. The former of thefe two effects is a very fmall lofs, the latter a very fmall advantage; both too infignificant to deferve any part of the public attention. The trade to the Eaft Indies, by opening a market to the commodities of Europe, or, what comes nearly to the fame thing, to the gold and filver which is purchafed with thofe commodities, muft neceffarily tend to increafe the annual production of European commodities, and confequently the real wealth and revenue of Europe. That it has hitherto increafed them fo little, is probably owing to the reftraints which it every-where labors under.

I thought it neceffary, though at the hazard of being tedious, to examine at full length this popular notion that wealth confifts in money, or in gold and filver. Money in common language, as I have already obferved, frequently fignifies wealth; and this ambiguity of expreffion has rendered this popular notion fo familiar to us, that even they, who are convinced of its

abſurdity, are very apt to forget their own principles, and in the courſe of their reaſonings to take it for granted as a certain and undeniable truth. Some of the beſt Engliſh writers upon commerce ſet out with obſerving, that the wealth of a country conſiſts, not in its gold and ſilver only, but in its lands, houſes, and conſumable goods of all different kinds. In the courſe of their reaſonings, however, the lands, houſes, and conſumable goods ſeem to ſlip out of their memory, and the ſtrain of their argument frequently ſuppoſes that all wealth conſiſts in gold and ſilver, and that to multiply thoſe metals is the great object of national induſtry and commerce.

The two principles being eſtabliſhed, however, that wealth conſiſted in gold and ſilver, and that thoſe metals could be brought into a country which had no mines only by the balance of trade, or by exporting to a greater value than it imported; it neceſſarily became the great object of political œconomy to diminiſh as much as poſſible the importation of foreign goods for home-conſumption, and to increaſe as much as poſſible the exportation of produce of domeſtic induſtry. Its two great engines for enriching the country, therefore, were reſtraints upon importation, and encouragements to exportation.

The reſtraints upon importation were of two kinds.

Firſt, Reſtraints upon the importation of ſuch foreign goods for home-conſumption as

could be produced at home, from whatever country they were imported.

Secondly, Reftraints upon the importation of goods of almoft all kinds from thofe particular countries with which the balance of trade was fuppofed to be difadvantageous.

Thofe different reftraints confifted fometimes in high duties, and fometimes in abfolute prohibitions.

Exportation was encouraged fometimes by drawbacks, fometimes by bounties, fometimes by advantageous treaties of commerce with foreign ftates, and fometimes by the eftablifhment of colonies in diftant countries.

Drawbacks were given upon two different occafions. When the home-manufactures were fubject to any duty or excife, either the whole or a part of it was frequently drawn back upon their exportation; and when foreign goods liable to a duty were imported in order to be exported again, either the whole or a part of this duty was fometimes given back upon fuch exportation.

Bounties were given for the encouragement either of fome beginning manufactures, or of fuch forts of induftry of other kinds as were fuppofed to deferve particular favor.

By advantageous treaties of commerce, particular privileges were procured in fome foreign ftate for the goods and merchants of the country, beyond what were granted to thofe of other countries.

By the eſtabliſhment of colonies in diſtant countries, not only particular privileges, but a monopoly was frequently procured for the goods and merchants of the country which eſtabliſhed them.

The two ſorts of reſtraints upon importation above-mentioned, together with theſe four encouragements to exportation, conſtitute the ſix principal means by which the commercial ſyſtem propoſes to increaſe the quantity of gold and ſilver in any country by turning the balance of trade in its favor. I ſhall conſider each of them in a particular chapter, and without taking much further notice of their ſuppoſed tendency to bring money into the country, I ſhall examine chiefly what are likely to be the effects of each of them upon the annual produce of its induſtry. According as they tend either to increaſe or diminiſh the value of this annual produce, they muſt evidently tend either to increaſe or diminiſh the real wealth and revenue of the country.

CHAP. II.

Of Reſtraints upon the Importation from foreign Countries of ſuch Goods as can be produced at Home.

BY reſtraining, either by high duties, or by abſolute prohibitions, the importation of ſuch goods from foreign countries as can be produced at home, the monopoly of the home-market is more or leſs ſecured to the domeſtic induſtry employed in producing them. Thus the prohibition of importing either live cattle or ſalt proviſions from foreign countries ſecures to the graziers of Great Britain the monopoly of the home-market for butcher's-meat. The high duties upon the importation of corn, which in times of moderate plenty amount to a prohibition, give a like advantage to the growers of that commodity. The prohibition of the importation of foreign woollens is equally favorable to the woollen manufacturers. The ſilk manufacture, though altogether employed upon foreign materials, has lately obtained the ſame advantage. The linen manufacture has not yet obtained it, but is making great ſtrides towards it. Many other ſorts of manufacturers have, in the ſame manner, obtained in Great Britain, either altogether, or very nearly a monopoly againſt their countrymen. The variety of goods of which the importation into Great Britain is prohibited,

either abſolutely, or under certain circumſtances, greatly exceeds what can eaſily be ſuſpected by thoſe who are not well acquainted with the laws of the cuſtoms.

That this monopoly of the home-market frequently gives great encouragement to that particular ſpecies of induſtry which enjoys it, and frequently turns towards that employment a greater ſhare of both the labor and ſtock of the ſociety than would otherwiſe have gone to it, cannot be doubted. But whether it tends either to increaſe the general induſtry of the ſociety, or to give it the moſt advantageous direction, is not, perhaps, altogether ſo evident.

The general induſtry of the ſociety never can exceed what the capital of the ſociety can employ. As the number of workmen that can be kept in employment by any particular perſon muſt bear a certain proportion to his capital, ſo the number of thoſe that can be continually employed by all the members of a great ſociety, muſt bear a certain proportion to the whole capital of that ſociety, and never can exceed that proportion. No regulation of commerce can increaſe the quantity of induſtry in any ſociety beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwiſe have gone; and it is by no means certain that this artificial direction is likely to be more advantageous to the ſociety than that into which it would have gone of its own accord.

Every individual is continually exerting himſelf

to find out the moſt advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the ſociety, which he has in view. But the ſtudy of his own advantage naturally, or rather neceſſarily leads him to prefer that employment which is moſt advantageous to the ſociety.

Firſt, every individual endeavours to employ his capital as near home as he can, and conſequently as much as he can in the ſupport of domeſtic induſtry; provided always that he can thereby obtain the ordinary, or not a great deal leſs than the ordinary profits of ſtock.

Thus, upon equal or nearly equal profits, every wholeſale merchant naturally prefers the home-trade to the foreign trade of conſumption, and the foreign trade of conſumption, to the carrying trade. In the home-trade his capital is never ſo long out of his ſight as it frequently is in the foreign trade of conſumption. He can know better the character and ſituation of the perſons whom he truſts, and if he ſhould happen to be deceived, he knows better the laws of the country from which he muſt ſeek redreſs. In the carrying trade, the capital of the merchant is, as it were, divided between two foreign countries, and no part of it is ever neceſſarily brought home, or placed under his own immediate view and command. The capital which an Amſterdam merchant employs in carrying corn from Konnigſberg to Liſbon, and fruit and wine from Liſbon to Konnigſberg, muſt generally be the one-half of it at Konnigſberg and the other

half at Lifbon. No part of it need ever come to Amfterdam. The natural refidence of fuch a merchant fhould either be at Konnigfberg or Lifbon, and it can only be fome very particular circumftances which can make him prefer the refidence of Amfterdam. The uneafinefs, however, which he feels at being feparated fo far from his capital, generally determines him to bring part both of the Konnigfberg goods which he deftines for the market of Lifbon; and of the Lifbon goods which he deftines for that of Konnigfberg, to Amfterdam: and though this neceffarily fubjects him to a double charge of loading and unloading, as well as to the payment of fome duties and cuftoms, yet for the fake of having fome part of his capital always under his own view and command, he willingly fubmits to this extraordinary charge; and it is in this manner that every country which has any confiderable fhare of the carrying trade, becomes always the emporium, or general market, for the goods of all the different countries whofe trade it carries on. The merchant, in order to fave a fecond loading and unloading, endeavours always to fell in the home-market as much of the goods of all thofe different countries as he can, and thus, fo far as he can, to convert his carrying trade into a foreign trade of confumption. A merchant, in the fame manner, who is engaged in the foreign trade of confumption, when he collects goods for foreign markets, will always be glad, upon equal or nearly equal profits, to fell as great a part of them at home as he can. He faves himfelf the rifk and trouble of

exportation when, ſo far as he can, he thus converts his foreign trade of conſumption into a home-trade. Home is in this manner the centre, if I may ſay ſo, round which the capitals of the inhabitants of every country are continually circulating, and towards which they are always tending, though by particular cauſes they may ſometimes be driven off and repelled from it towards more diſtant employments. But a capital employed in the home-trade, it has already been ſhown, neceſſarily puts into motion a greater quantity of domeſtic induſtry, and gives revenue and employment to a greater number of the inhabitants of the country, than an equal capital employed in the foreign trade of conſumption: and one employed in the trade of conſumption has the ſame advantage over an equal capital employed in the carrying trade. Upon equal, or only nearly equal profits, therefore, every individual naturally inclines to employ his capital in the manner in which it is likely to afford the greateſt ſupport to domeſtic induſtry, and to give revenue and employment to the greateſt number of people of his own country.

Secondly, every individual who employs his capital in the ſupport of domeſtic induſtry, neceſſarily endeavours ſo to direct that induſtry, that its produce may be of the greateſt poſſible value.

The produce of induſtry is what it adds to the ſubject or materials upon which it is employed. In proportion as the value of this produce is great or ſmall, ſo will likewiſe be the profits of the employer. But it is only for the ſake of profit

that

that any man employs a capital in the ſupport of induſtry; and he will always, therefore, endeavour to employ it in the ſupport of that induſtry of which the produce is likely to be of the greateſt value, or to exchange for the greateſt quantity either of money or of other goods.

But the annual revenue of every ſociety is always preciſely equal to the exchangeable value of the whole annual produce of its induſtry, or rather is preciſely the ſame thing with that exchangeable value. As every individual, therefore, endeavours as much as he can both to employ his capital in the ſupport of domeſtic induſtry, and ſo to direct that induſtry that its produce may be of the greateſt value; every individual neceſſarily labors to render the annual revenue of the ſociety as great as he can. He generally, indeed, neither intends to promote the public intereſt, nor knows how much he is promoting it. By preferring the ſupport of domeſtic to that of foreign induſtry, he intends only his own ſecurity; and by directing that induſtry in ſuch a manner as its produce may be of the greateſt value, he intends only his own gain, and he is in this, as in many other caſes, led by an inviſible hand to promote an end which was no part of his intention. Nor is it always the worſe for the ſociety that it was no part of it. By purſuing his own intereſt he frequently promotes that of the ſociety more effectually than when he really intends to promote it. I have never known much good done by thoſe who affected to trade for the public good. It is an

affectation, indeed, not very common among merchants, and very few words need be employed in diſſuading them from it.

What is the ſpecies of domeſtic induſtry which his capital can employ, and of which the produce is likely to be of the greateſt value, every individual, it is evident, can, in his local ſituation, judge much better than any ſtateſman or lawgiver can do for him. The ſtateſman, who ſhould attempt to direct private people in what manner they ought to employ their capitals, would not only load himſelf with a moſt unneceſſary attention, but aſſume an authority which could ſafely be truſted, not only to no ſingle perſon, but to no council or ſenate whatever, and which would no-where be ſo dangerous as in the hands of a man who had folly and preſumption enough to fancy himſelf fit to exerciſe it.

To give the monopoly of the home-market to the produce of domeſtic induſtry, in any particular art or manufacture, is in ſome meaſure to direct private people in what manner they ought to employ their capitals, and muſt, in almoſt all caſes, be either a uſeleſs or a hurtful regulation. If the produce of domeſtic can be brought there as cheap as that of foreign induſtry, the regulation is evidently uſeleſs. If it cannot, it muſt generally be hurtful. It is the maxim of every prudent maſter of a family, never to attempt to make at home what it will coſt him more to make than to buy. The taylor does not attempt to make his own ſhoes, but buys them of the ſhoemaker. The ſhoemaker does not attempt to

make his own clothes, but employs a taylor. The farmer attempts to make neither the one nor the other, but employs thofe different artificers. All of them find it for their intereft to employ their whole induftry in a way in which they have fome advantage over their neighbours, and to purchafe with a part of its produce, or what is the fame thing, with the price of a part of it, whatever elfe they have occafion for.

What is prudence in the conduct of every private family, can fcarce be folly in that of a great kingdom. If a foreign country can fupply us with a commodity cheaper than we ourfelves can make it, better buy it of them with fome part of the produce of our own induftry, employed in a way in which we have fome advantage. The general induftry of the country, being always in proportion to the capital which employs it, will not thereby be diminifhed, no more than that of the above-mentioned artificers; but only left to find out the way in which it can be employed with the greateft advantage. It is certainly not employed to the greateft advantage, when it is thus directed towards an object which it can buy cheaper than it can make. The value of its annual produce is certainly more or lefs diminifhed, when it is thus turned away from producing commodities evidently of more value than the commodity which it is directed to produce. According to the fuppofition, that commodity could be purchafed from foreign countries cheaper than it can be made at home. It could, therefore, have been purchafed with a

part only of the commodities, or, what is the ſame thing, with a part only of the price of the commodities, which the induſtry employed by an equal capital would have produced at home, had it been left to follow its natural courſe. The induſtry of the country, therefore, is thus turned away from a more, to a leſs advantageous employment, and the exchangeable value of its annual produce, inſtead of being increaſed, according to the intention of the lawgiver, muſt neceſſarily be diminiſhed by every ſuch regulation.

By means of ſuch regulations, indeed, a particular manufacture may ſometimes be acquired ſooner than it could have been otherwiſe, and after a certain time may be made at home as cheap or cheaper than in the foreign country. But though the induſtry of the ſociety may be thus carried with advantage into a particular channel ſooner than it could have been otherwiſe, it will by no means follow that the ſum total, either of its induſtry, or of its revenue, can ever be augmented by any ſuch regulation. The induſtry of the ſociety can augment only in proportion as its capital augments, and its capital can augment only in proportion to what can be gradually ſaved out of its revenue. But the immediate effect of every ſuch regulation is to diminiſh its revenue, and what diminiſhes its revenue is certainly not very likely to augment its capital faſter than it would have augmented of its own accord, had both capital and induſtry been left to find out their natural employments.

Though for want of ſuch regulations the ſociety ſhould never acquire the propoſed manufacture, it would not, upon that account, neceſſarily be the poorer in any one period of its duration. In every period of its duration its whole capital and induſtry might ſtill have been employed, though upon different objects, in the manner that was moſt advantageous at the time. In every period its revenue might have been the greateſt which its capital could afford, and both capital and revenue might have been augmented with the greateſt poſſible rapidity.

The natural advantages which one country has over another in producing particular commodities are ſometimes ſo great, that it is acknowledged by all the world to be in vain to ſtruggle with them. By means of glaſſes, hotbeds, and hotwalls, very good grapes can be raiſed in Scotland, and very good wine too can be made of them at about thirty times the expenſe for which at leaſt equally good can be brought from foreign countries. Would it be a reaſonable law to prohibit the importation of all foreign wines, merely to encourage the making of claret and burgundy in Scotland? But if there would be a manifeſt abſurdity in turning towards any employment, thirty times more of the capital and induſtry of the country, than would be neceſſary to purchaſe from foreign countries an equal quantity of the commodities wanted, there muſt be an abſurdity, though not altogether ſo glaring, yet exactly of the ſame kind, in turning

towards any ſuch employment a thirtieth, or even a three hundredth part more of either. Whether the advantages which one country has over another, be natural or acquired, is in this reſpect of no conſequence. As long as the one country has thoſe advantages, and the other wants them, it will always be more advantageous for the latter, rather to buy of the former than to make. It is an acquired advantage only, which one artificer has over his neighbour, who exerciſes another trade; and yet they both find it more advantageous to buy of one another, than to make what does not belong to their particular trades.

Merchants and manufacturers are the people who derive the greateſt advantage from this monopoly of the home-market. The prohibition of the importation of foreign cattle, and of ſalt proviſions, together with the high duties upon foreign corn, which in times of moderate plenty amount to a prohibition, are not near ſo advantageous to the graziers and farmers of Great Britain, as other regulations of the ſame kind are to its merchants and manufacturers. Manufactures, thoſe of the finer kind eſpecially, are more eaſily tranſported from one country to another than corn or cattle. It is in the fetching and carrying manufactures, accordingly, that foreign trade is chiefly employed. In manufactures, a very ſmall advantage will enable foreigners to underſell our own workmen, even in the home market. It will require a very great one to enable them to do ſo in the rude produce

of the ſoil. If the free importation of foreign manufactures were permitted, ſeveral of the home manufactures would probably ſuffer, and ſome of them, perhaps, go to ruin altogether, and a conſiderable part of the ſtock and induſtry at preſent employed in them, would be forced to find out ſome other employment. But the freeſt importation of the rude produce of the ſoil could have no ſuch effect upon the agriculture of the country.

If the importation of foreign cattle, for example, were made ever ſo free, ſo few could be imported, that the grazing trade of Great Britain could be little affected by it. Live cattle are, perhaps, the only commodity of which the tranſportation is more expenſive by ſea than by land. By land they carry themſelves to market. By ſea, not only the cattle, but their food and their water too, muſt be carried at no ſmall expenſe and inconveniency. The ſhort ſea between Ireland and Great Britain, indeed, renders the importation of Iriſh cattle more eaſy. But though the free importation of them, which was lately permitted only for a limited time, were rendered perpetual, it could have no conſiderable effect upon the intereſt of the graziers of Great Britain. Thoſe parts of Great Britain which border upon the Iriſh ſea are all grazing counties. Iriſh cattle could never be imported for their uſe, but muſt be drove through thoſe very extenſive counties, at no ſmall expenſe and inconveniency, before they could arrive at their proper market. Fat cattle could not be drove

ſo far. Lean cattle, therefore, only could be imported, and ſuch importation could interfere, not with the intereſt of the feeding or fattening countries, to which, by reducing the price of lean cattle, it would rather be advantageous, but with that of the breeding countries only. The ſmall number of Iriſh cattle imported ſince their importation was permitted, together with the good price at which lean cattle ſtill continue to ſell, ſeem to demonſtrate that even the breeding countries of Great Britain are never likely to be much affected by the free importation of Iriſh cattle. The common people of Ireland, indeed, are ſaid to have ſometimes oppoſed with violence the exportation of their cattle. But if the exporters had found any great advantage in continuing the trade; they could eaſily, when the law was on their ſide, have conquered this mobbiſh oppoſition.

Feeding and fattening countries, beſides, muſt always be highly improved, whereas breeding countries are generally uncultivated. The high price of lean cattle, by augmenting the value of uncultivated land, is like a bounty againſt improvement. To any country which was highly improved throughout, it would be more advantageous to import its lean cattle than to breed them. The province of Holland, accordingly, is ſaid to follow this maxim at preſent. The mountains of Scotland, Wales, and Northumberland, indeed, are countries not capable of much improvement, and ſeem deſtined by nature to be the breeding countries of Great Britain.

The freeſt importation of foreign cattle could have no other effect than to hinder thoſe breeding countries from taking advantage of the increaſing population and improvement of the reſt of the kingdom, from raiſing their price to an exorbitant height; and from laying a real tax upon all the more improved and cultivated parts of the country.

The freeſt importation of ſalt proviſions, in the ſame manner, could have as little effect upon the intereſt of the graziers of Great Britain as that of live cattle. Salt proviſions are not only a very bulky commodity, but when compared with freſh meat, they are a commodity both of worſe quality, and as they coſt more labor and expenſe, of higher price. They could never, therefore, come into competition with the freſh meat, though they might with the ſalt proviſions of the country. They might be uſed for victualling ſhips for diſtant voyages, and ſuch like uſes, but could never make any conſiderable part of the food of the people. The ſmall quantity of ſalt proviſions imported from Ireland ſince their importation was rendered free, is an experimental proof that our graziers have nothing to apprehend from it. It does not appear that the price of butcher's-meat has ever been ſenſibly affected by it.

Even the free importation of foreign corn could very little affect the intereſt of the farmers of Great Britain. Corn is a much more bulky commodity than butcher's-meat. A pound of wheat at a penny is as dear as a pound of butcher's-meat at fourpence.

The ſmall quantity of foreign corn imported even in times of the greateſt ſcarcity, may ſatisfy our farmers that they can have nothing to fear from the freeſt importation. The average quantity imported, one year with another, amounts only, according to the very well informed author of the tracts upon the corn trade, to twenty-three-thouſand ſeven hundred and twenty-eight quarters of all ſorts of grain, and does not exceed the five hundredth and ſeventy-one part of the annual conſumption. But as the bounty upon corn occaſions a greater exportation in years of plenty, ſo it muſt of conſequence occaſion a greater importation in years of ſcarcity, than in the actual ſtate of tillage would otherwiſe take place. By means of it, the plenty of one year does not compenſate the ſcarcity of another, and as the average quantity exported is neceſſarily augmented by it, ſo muſt likewiſe, in the actual ſtate of tillage, the average quantity imported. If there were no bounty, as leſs corn would be exported, ſo it is probable that, one year with another, leſs would be imported than at preſent. The corn merchants, the fetchers and carriers of corn between Great Britain and foreign countries, would have much leſs employment, and might ſuffer conſiderably; but the country gentlemen and farmers could ſuffer very little. It is in the corn merchants accordingly, rather than in the country gentlemen and farmers, that I have obſerved the greateſt anxiety for the renewal and continuation of the bounty.

Country gentlemen and farmers are, to their great honor, of all people, the leaſt ſubject to the wretched ſpirit of monopoly. The undertaker of a great manufactory is ſometimes alarmed if another work of the ſame kind is eſtabliſhed within twenty miles of him. The Dutch undertaker of the woollen manufacture at Abbeville ſtipulated, that no work of the ſame kind ſhould be eſtabliſhed within thirty leagues of that city. Farmers and country gentlemen, on the contrary, are generally diſpoſed rather to promote than to obſtruct the cultivation and improvement of their neighbours' farms and eſtates. They have no ſecrets, ſuch as thoſe of the greater part of manufacturers, but are generally rather fond of communicating to their neighbours, and of extending as far as poſſible any new practice which they have found to be advantageous. *Pius Queſtus*, ſays old Cato, *ſtabiliſſimuſque, minimeque invidioſus; minimeque male cogitantes ſunt, qui in eo ſtudio occupati ſunt.* Country gentlemen and farmers, diſperſed in different parts of the country, cannot ſo eaſily combine as merchants and manufacturers, who being collected into towns, and accuſtomed to that excluſive corporation ſpirit which prevails in them, naturally endeavour to obtain againſt all their countrymen, the ſame excluſive privilege which they generally poſſeſs againſt the inhabitants of their reſpective towns. They accordingly ſeem to have been the original inventors of thoſe reſtraints upon the importation of foreign goods, which ſecure to them the monopoly of the home-market. It was

probably in imitation of them, and to put themſelves upon a level with thoſe who, they found, were diſpoſed to oppreſs them, that the country gentlemen and farmers of Great Britain ſo far forgot the generoſity which is natural to their ſtation, as to demand the excluſive privilege of ſupplying their countrymen with corn and butcher's-meat. They did not perhaps take time to conſider, how much leſs their intereſt could be affected by the freedom of trade, than that of the people whoſe example they followed.

To prohibit by a perpetual law the importation of foreign corn and cattle, is in reality to enact, that the population and induſtry of the country ſhall at no time exceed what the rude produce of its own ſoil can maintain.

There ſeem, however, to be two caſes in which it will generally be advantageous to lay ſome burden upon foreign, for the encouragement of domeſtic induſtry.

The firſt is, when ſome particular ſort of induſtry is neceſſary for the defence of the country. The defence of Great Britain, for example, depends very much upon the number of its ſailors and ſhipping. The act of navigation, therefore, very properly endeavours to give the ſailors and ſhipping of Great Britain the monopoly of the trade of their own country, in ſome caſes, by abſolute prohibitions, and in others by heavy burdens upon the ſhipping of foreign countries. The following are the principal diſpoſitions of this act.

Firſt, all ſhips, of which the owners, maſters, and three-fourths of the mariners are not Britiſh ſubjects, are prohibited, upon pain of forfeiting ſhip and cargo, from trading to the Britiſh ſettlements and plantations, or from being employed in the coaſting trade of Great Britain.

Secondly, a great variety of the moſt bulky articles of importation can be brought into Great Britain only, either in ſuch ſhips as are above deſcribed, or in ſhips of the country where thoſe goods are produced, and of which the owners, maſters, and three-fourths of the mariners, are of that particular country; and when imported even in ſhips of this latter kind, they are ſubject to double aliens' duty. If imported in ſhips of any other country, the penalty is forfeiture of ſhip and goods. When this act was made, the Dutch were, what they ſtill are, the great carriers of Europe, and by this regulation they were entirely excluded from being the carriers to Great Britain, or from importing to us the goods of any other European country.

Thirdly, a great variety of the moſt bulky articles of importation are prohibited from being imported, even in Britiſh ſhips, from any country but that in which they are produced; under pain of forfeiting ſhip and cargo. This regulation too was probably intended againſt the Dutch. Holland was then, as now, the great emporium for all European goods, and by this regulation, Britiſh ſhips were hindered from

loading in Holland the goods of any other European country.

Fourthly, ſalt fiſh of all kinds, whale-fins, whale-bone, oil, and blubber, not caught by and cured on board Britiſh veſſels, when imported into Great Britain, are ſubjected to double aliens' duty. The Dutch, as they are ſtill the principal, were then the only fiſhers in Europe that attempted to ſupply foreign nations with fiſh. By this regulation, a very heavy burden was laid upon their ſupplying Great Britain.

When the act of navigation was made, though England and Holland were not actually at war, the moſt violent animoſity ſubſiſted between the two nations. It had begun during the government of the long parliament, which firſt framed this act, and it broke out ſoon after in the Dutch wars during that of the Protector and of Charles the Second. It is not impoſſible, therefore, that ſome of the regulations of this famous act may have proceeded from national animoſity. They are as wiſe, however, as if they had all been dictated by the moſt deliberate wiſdom. National animoſity at that particular time aimed at the very ſame object which the moſt deliberate wiſdom would have recommended, the diminution of the naval power of Holland, the only naval power which could endanger the ſecurity of England.

The act of navigation is not favorable to foreign commerce, or to the growth of that opulence which can ariſe from it. The intereſt of a nation in its commercial relations to foreign nations is,

like that of a merchant with regard to the different people with whom he deals, to buy as cheap and to fell as dear as poffible. But it will be moft likely to buy cheap, when by the moft perfect freedom of trade it encourages all nations to bring to it the goods which it has occafion to purchafe; and, for the fame reafon, it will be moft likely to fell dear, when its markets are thus filled with the greateft number of buyers. The act of navigation, it is true, lays no burden upon foreign fhips that come to export the produce of Britifh induftry. Even the ancient aliens' duty, which ufed to be paid upon all goods exported as well as imported, has, by feveral fubfequent acts, been taken off from the greater part of the articles of exportation. But if foreigners, either by prohibitions or high duties, are hindered from coming to fell, they cannot always afford to come to buy; becaufe coming without a cargo, they muft lofe the freight from their own country to Great Britain. By diminifhing the number of fellers, therefore, we neceffarily diminifh that of buyers, and are thus likely not only to buy foreign goods dearer, but to fell our own cheaper, than if there was a more perfect freedom of trade. As defence, however, is of much more importance than opulence, the act of navigation is, perhaps, the wifeft of all the commercial regulations of England.

The fecond cafe, in which it will generally be advantageous to lay fome burden upon foreign for the encouragement of domeftic induftry, is, when fome tax is impofed at home upon the produce

of the latter. In this cafe, it feems reafonable that an equal tax fhould be impofed upon the like produce of the former. This would not give the monopoly of the home market to domeftic induftry, nor turn towards a particular employment a greater fhare of the ftock and labor of the country, than what would naturally go to it. It would only hinder any part of what would naturally go to it from being turned away by the tax, into a lefs natural direction, and would leave the competition between foreign and domeftic induftry, after the tax, as nearly as poffible upon the fame footing as before it. In Great Britain, when any fuch tax is laid upon the produce of domeftic induftry, it is ufual at the fame time, in order to ftop the clamorous complaints of our merchants and manufacturers, that they will be underfold at home, to lay a much heavier duty upon the importation of all foreign goods of the fame kind.

This fecond limitation of the freedom of trade according to fome people fhould, upon fome occafions, be extended much farther than to the precife foreign commodities which could come into competition with thofe which had been taxed at home. When the neceffaries of life have been taxed in any country, it becomes proper, they pretend, to tax not only the like neceffaries of life imported from other countries, but all forts of foreign goods which can come into competition with any thing that is the produce of domeftic induftry. Subfiftence, they fay, becomes neceffarily dearer in confequence

of

of ſuch taxes; and the price of labor muſt always riſe with the price of the laborers' ſubſiſtence. Every commodity, therefore, which is the produce of domeſtic induſtry, though not immediately taxed itſelf, becomes dearer in conſequence of ſuch taxes, becauſe the labor which produces it becomes ſo. Such taxes, therefore, are really equivalent, they ſay, to a tax upon every particular commodity produced at home. In order to put domeſtic upon the ſame footing with foreign induſtry, therefore, it becomes neceſſary, they think, to lay ſome duty upon every foreign commodity, equal to this enhancement of the price of the home commodities with which it can come into competition.

Whether taxes upon the neceſſaries of life, ſuch as thoſe in Great Britain upon ſoap, ſalt, leather, candles. &c. neceſſarily raiſe the price of labor, and conſequently that of all other commodities, I ſhall conſider hereafter, when I come to treat of taxes. Suppoſing, however, in the mean time, that they have this effect, and they have it undoubtedly, this general enhancement of the price of all commodities, in conſequence of that of labor, is a caſe which differs in the two following reſpects from that of a particular commodity, of which the price was enhanced by a particular tax immediately impoſed upon it.

Firſt, it might always be known with great exactneſs how far the price of ſuch a commodity could be enhanced by ſuch a tax: but how far the general enhancement of the price of labor

might affect that of every different commodity about which labor was employed, could never be known with any tolerable exactneſs. It would be impoſſible, therefore, to proportion with any tolerable exactneſs the tax upon every foreign, to this enhancement of the price of every home commodity.

Secondly, taxes upon the neceſſaries of life have nearly the ſame effect upon the circumſtances of the people as a poor ſoil and a bad climate. Proviſions are thereby rendered dearer in the ſame manner as if it required extraordinary labor and expenſe to raiſe them. As in the natural ſcarcity ariſing from ſoil and climate, it would be abſurd to direct the people in what manner they ought to employ their capitals and induſtry, ſo is it likewiſe in the artificial ſcarcity ariſing from ſuch taxes. To be left to accommodate, as well as they could, their induſtry to their ſituation, and to find out thoſe employments in which, notwithſtanding their unfavorable circumſtances, they might have ſome advantage either in the home or in the foreign market, is what in both caſes would evidently be moſt for their advantage. To lay a new tax upon them, becauſe they are already overburdened with taxes, and becauſe they already pay too dear for the neceſſaries of life, to make them likewiſe pay too dear for the greater part of other commodities, is certainly a moſt abſurd way of making amends.

Such taxes, when they have grown up to a certain height, are a curſe equal to the barrenneſs

of the earth and the inclemency of the heavens; and yet it is in the richeſt and moſt induſtrious countries that they have been moſt generally impoſed. No other countries could ſupport ſo great a diſorder. As the ſtrongeſt bodies only can live and enjoy health, under an unwholeſome regimen; ſo the nations only, that in every ſort of induſtry have the greateſt natural and acquired advantages, can ſubſiſt and proſper under ſuch taxes. Holland is the country in Europe in which they abound moſt, and which from peculiar circumſtances continues to proſper, not by means of them, as has been moſt abſurdly ſuppoſed, but in ſpite of them.

As there are two caſes in which it will generally be advantageous to lay ſome burden upon foreign, for the encouragement of domeſtic induſtry; ſo there are two others in which it may ſometimes be a matter of deliberation; in the one, how far it is proper to continue the free importation of certain foreign goods; and in the other, how far, or in what manner, it may be proper to reſtore that free importation after it has been for ſome time interrupted.

The caſe in which it may ſometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods, is, when ſome foreign nation reſtrains by high duties or prohibitions the importation of ſome of our manufactures into their country. Revenge in this caſe naturally dictates retaliation, and that we ſhould impoſe the like duties and prohibitions upon the importation of ſome

or all of their manufactures into ours. Nations, accordingly seldom fail to retaliate in this manner. The French have been particularly forward to favor their own manufactures by restraining the importation of such foreign goods as could come into competition with them. In this consisted a great part of the policy of Mr. Colbert, who, notwithstanding his great abilities, seems in this case to have been imposed upon by the sophistry of merchants and manufacturers, who are always demanding a monopoly against their countrymen. It is at present the opinion of the most intelligent men in France that his operations of this kind have not been beneficial to his country. That minister, by the tarif of 1667, imposed very high duties upon a great number of foreign manufactures. Upon his refusing to moderate them in favor of the Dutch, they in 1671 prohibited the importation of the wines, brandies, and manufactures of France. The war of 1672 seems to have been in part occasioned by this commercial dispute. The peace of Nimeguen put an end to it in 1678, by moderating some of those duties in favor of the Dutch, who in consequence took off their prohibition. It was about the same time that the French and English began mutually to oppress each other's industry, by the like duties and prohibitions, of which the French, however, seem to have set the first example. The spirit of hostility which has subsisted between the two nations ever since, has hitherto hindered them from being moderated on either

fide. In 1697 the Englifh prohibited the importation of bonelace, the manufacture of Flanders. The government of that country, at that time under the dominion of Spain, prohibited in return the importation of Englifh woollens. In 1700, the prohibition of importing bonelace into England, was taken off upon condition that the importation of Englifh woollens into Flanders fhould be put on the fame footing as before.

There may be good policy in retaliations of this kind, when there is a probability that they will procure the repeal of the high duties or prohibitions complained of. The recovery of a great foreign market will generally more than compenfate the tranfitory inconveniency of paying dearer during a fhort time for fome forts of goods. To judge whether fuch retaliations are likely to produce fuch an effect, does not, perhaps, belong fo much to the fcience of a legiflator, whofe deliberations ought to be governed by general principles which are always the fame, as to the fkill of that infidious and crafty animal, vulgarly called a ftatefman or politician, whofe councils are directed by the momentary fluctuations of affairs. When there is no probability that any fuch repeal can be procured, it feems a bad method of compenfating the injury done to certain claffes of our people, to do another injury ourfelves, not only to thofe claffes, but to almoft all the other claffes of them. When our neighbours prohibit fome manufacture of ours, we generally prohibit, not only the fame, for that alone would feldom affect them confiderably,

but ſome other manufacture of theirs. This may no doubt give encouragement to ſome particular claſs of workmen among ourſelves, and by excluding ſome of their rivals, may enable them to raiſe their price in the home-market. Thoſe workmen, however, who ſuffered by our neighbours' prohibition will not be benefited by ours. On the contrary, they and almoſt all the other claſſes of our citizens will thereby be obliged to pay dearer than before for certain goods. Every ſuch law, therefore, impoſes a real tax upon the whole country, not in favor of that particular claſs of workmen who were injured by our neighbours' prohibition, but of ſome other claſs.

The caſe in which it may ſometimes be a matter of deliberation, how far, or in what manner, it is proper to reſtore the free importation of foreign goods, after it has been for ſome time interrupted, is, when particular manufactures, by means of high duties or prohibitions upon all foreign goods which can come into competition with them, have been ſo far extended as to employ a great multitude of hands. Humanity may in this caſe require that the freedom of trade ſhould be reſtored only by ſlow gradations, and with a good deal of reſerve and circumſpection. Were thoſe high duties and prohibitions taken away all at once, cheaper foreign goods of the ſame kind might be poured ſo faſt into the home market, as to deprive all at once many thouſands of our people of their ordinary employment and means of ſubſiſtence. The diſorder

which this would occaſion might no doubt be very conſiderable. It would in all probability, however, be much leſs than is commonly imagined, for the two following reaſons:

Firſt, all thoſe manufactures, of which any part is commonly exported to other European countries without a bounty, could be very little affected by the freeſt importation of foreign goods. Such manufactures muſt be ſold as cheap abroad as any other foreign goods of the ſame quality and kind, and conſequently muſt be ſold cheaper at home. They would ſtill, therefore, keep poſſeſſion of the home market, and though a capricious man of faſhion might ſometimes prefer foreign wares, merely becauſe they were foreign, to cheaper and better goods of the ſame kind that were made at home, this folly could, from the nature of things, extend to ſo few, that it could make no ſenſible impreſſion upon the general employment of the people. But a great part of all the different branches of our woollen manufacture, of our tanned leather, and of our hard-ware, are annually exported to other European countries without any bounty, and theſe are the manufactures which employ the greateſt number of hands. The ſilk, perhaps, is the manufacture which would ſuffer the moſt by this freedom of trade, and after it the linen, though the latter much leſs than the former.

Secondly, though a great number of people ſhould, by thus reſtoring the freedom of trade, be thrown all at once out of their ordinary employment and common method of ſubſiſtence, it

would by no means follow that they would thereby be deprived either of employment or subſiſtence. By the reduction of the army and navy at the end of the late war, more than a hundred thouſand ſoldiers and ſeamen, a number equal to what is employed in the greateſt manufactures, were all at once thrown out of their ordinary employment; but, though they no doubt ſuffered ſome inconveniency, they were not thereby deprived of all employment and ſubſiſtence. The greater part of the ſeamen, it is probable, gradually betook themſelves to the merchant-ſervice as they could find occaſion, and in the mean time both they and the ſoldiers were abſorbed in the great maſs of the people, and employed in a great variety of occupations. Not only no great convulſion, but no ſenſible diſorder aroſe from ſo great a change in the ſituation of more than a hundred thouſand men, all accuſtomed to the uſe of arms, and many of them to rapine and plunder. The number of vagrants was ſcarce any-where ſenſibly increaſed by it, even the wages of labor were not reduced by it in any occupation, ſo far as I have been able to learn except in that of ſeamen in the merchant-ſervice. But if we compare together the habits of a ſoldier and of any ſort of manufacturer, we ſhall find that thoſe of the latter do not tend ſo much to diſqualify him from being employed in a new trade, as thoſe of the former from being employed in any. The manufacturer has always been accuſtomed to look for his ſubſiſtence from his labor only: the ſoldier to expect it from his pay.

Application and induftry have been familiar to the one; idlenefs and diffipation to the other. But it is furely much eafier to change the direction of induftry from one fort of labor to another, than to turn idlenefs and diffipation to any. To the greater part of manufactures befides, it has already been obferved, there are other collateral manufactures of fo fimilar a nature, that a workman can eafily transfer his induftry from one of them to another. The greater part of fuch workmen too are occafionally employed in country labor. The ftock which employed them in a particular manufacture before, will ftill remain in the country to employ an equal number of people in fome other way. The capital of the country remaining the fame, the demand for labor will likewife be the fame, or very nearly the fame, though it may be exerted in different places and for different occupations. Soldiers and feamen, indeed, when difcharged from the king's fervice, are at liberty to exercife any trade, within any town or place of Great Britain or Ireland. Let the fame natural liberty of exercifing what fpecies of induftry they pleafe, be reftored to all his majefty's fubjects, in the fame manner as to foldiers and feamen; that is, break down the exclufive privileges of corporations, and repeal the ftatute of apprenticefhip, both which are real encroachments upon natural liberty, and add to thefe the repeal of the law of fettlements, fo that a poor workman, when thrown out of employment either in one trade or in one place, may feek for it in another

trade or in another place, without the fear either of a profecution or of a removal, and neither the public nor individuals will fuffer much more from the occafional difbanding fome particular claffes of manufacturers, than from that of foldiers. Our manufacturers have no doubt great merit with their country, but they cannot have more than thofe who defend it with their blood, nor deferve to be treated with more delicacy.

To expect, indeed, that the freedom of trade fhould ever be entirely reftored in Great Britain, is as abfurd as to expect that an Oceana or Utopia fhould ever be eftablifhed in it. Not only the prejudices of the public, but what is much more unconquerable, the private interefts of many individuals, irrefiftibly oppofe it. Were the officers of the army to oppofe with the fame zeal and unanimity any reduction in the number of forces, with which mafter manufacturers fet themfelves againft every law that is likely to increafe the number of their rivals in the home market; were the former to animate their foldiers, in the fame manner as the latter inflame their workmen, to attack with violence and outrage the propofers of any fuch regulation; to attempt to reduce the army would be as dangerous as it has now become to attempt to diminifh in any refpect the monopoly which our manufacturers have obtained againft us. This monopoly has fo much increafed the number of fome particular tribes of them, that like an over-grown ftanding army, they have become formidable to the government, and upon

many occaſions intimidate the legiſlature. The member of parliament who ſupports every propoſal for ſtrengthening this monopoly, is ſure to acquire not only the reputation of underſtanding trade, but great popularity and influence with an order of men whoſe numbers and wealth render them of great importance. If he oppoſes them, on the contrary, and ſtill more if he has authority enough to be able to thwart them, neither the moſt acknowledged probity, nor the higheſt rank, nor the greateſt public ſervices can protect him from the moſt infamous abuſe and detraction, from perſonal inſults, nor ſometimes from real danger, ariſing from the inſolent outrage of furious and diſappointed monopoliſts.

The undertaker of a great manufacture who, by the home markets being ſuddenly laid open to the competition of foreigners, ſhould be obliged to abandon his trade, would no doubt ſuffer very conſiderably. That part of his capital which had uſually been employed in purchaſing materials and in paying his workmen, might, without much difficulty, perhaps, find another employment. But that part of it which was fixed in workhouſes, and in the inſtruments of trade, could ſcarce be diſpoſed of without conſiderable loſs. The equitable regard, therefore, to his intereſt requires that changes of this kind ſhould never be introduced ſuddenly, but ſlowly, gradually, and after a very long warning. The legiſlature, were it poſſible that its deliberations could be always directed, not by the clamorous importunity of

partial interefts, but by an extenfive view of the general good, ought upon this very account, perhaps, to be particularly careful neither to eftablifh any new monopolies of this kind, nor to extend further thofe which are already eftablifhed. Every fuch regulation introduces fome degree of real diforder into the conftitution of the ftate, which it will be difficult afterwards to cure without occafioning another diforder.

How far it may be proper to increafe taxes upon the importation of foreign goods, in order, not to prevent their importation, but to raife a revenue for government, I fhall confider hereafter when I come to treat of taxes. Taxes impofed with a view to prevent, or even to diminifh importation, are evidently as deftructive of the revenue of the cuftoms as of the freedom of trade.

CHAP. III.

Of the extraordinary Reſtraints upon the importation of Goods of almoſt all kinds, from thoſe Countries with which the Balance is ſuppoſed to be diſadvantageous.

PART I.

Of the Unreaſonableneſs of thoſe Reſtraints even upon the Principles of the Commercial Syſtem.

TO lay extraordinary reſtraints upon the importation of goods of almoſt all kinds from thoſe particular countries with which the balance of trade is ſuppoſed to be diſadvantageous, is the ſecond expedient by which the commercial ſyſtem propoſes to increaſe the quantity of gold and ſilver. Thus in Great Britain, Sileſia lawns may be imported for home conſumption, upon paying certain duties. But French cambrics and lawns are prohibited to be imported, except into the port of London, there to be warehouſed for exportation. Higher duties are impoſed upon the wines of France than upon thoſe of Portugal, or indeed of any other country. By what is called the impoſt 1692, a duty of five-and-twenty per cent., of the rate or value, was laid upon all French goods; while the goods of other nations were, the greater part of them, ſubjected to much lighter duties, ſeldom exceeding five per cent.

The wine, brandy, ſalt and vinegar of France were indeed excepted; theſe commodities being ſubjected to other heavy duties, either by other laws, or by particular clauſes of the ſame law. In 1696, a ſecond duty of twenty-five per cent., the firſt not having been thought a ſufficient diſcouragement, was impoſed upon all French goods, except brandy; together with a new duty of five-and-twenty pounds upon the ton of French wine, and another of fifteen pounds upon the ton of French vinegar. French goods have never been omitted in any of thoſe general ſubſidies, or duties of five per cent., which have been impoſed upon all, or the greater part of the goods enumerated in the book of rates. If we count the one third and two third ſubſidies as making a compleat ſubſidy between them, there have been five of theſe general ſubſidies; ſo that before the commencement of the preſent war ſeventy-five per cent. may be conſidered as the loweſt duty, to which the greater part of the goods of the growth, produce, or manufacture of France were liable. But upon the greater part of goods, thoſe duties are equivalent to a prohibition. The French in their turn have, I believe, treated our goods and manufactures juſt as hardly; though I am not ſo well acquainted with the particular hardſhips which they have impoſed upon them. Thoſe mutual reſtraints have put an end to almoſt all fair commerce between the two nations, and ſmugglers are now the principal importers, either of Britiſh goods into France, or of French goods

into Great Britain. The principles which I have been examining in the foregoing chapter took their origin from private intereſt and the ſpirit of monopoly; thoſe which I am going to examine in this, from national prejudice and animoſity. They are, accordingly, as might well be expected, ſtill more unreaſonable. They are ſo, even upon the principles of the commercial ſyſtem.

Firſt, though it were certain that in the caſe of a free trade between France and England, for example, the balance would be in favor of France, it would by no means follow that ſuch a trade would be diſadvantageous to England, or that the general balance of its whole trade would thereby be turned more againſt it. If the wines of France are better and cheaper than thoſe of Portugal, or its linens than thoſe of Germany, it would be more advantageous for Great Britain to purchaſe both the wine and the foreign linen which it had occaſion for of France, than of Portugal and Germany. Though the value of the annual importations from France would thereby be greatly augmented, the value of the whole annual importations would be diminiſhed, in proportion as the French goods of the ſame quality were cheaper than thoſe of the other two countries. This would be the caſe, even upon the ſuppoſition that the whole French goods imported were to be conſumed in Great Britain.

But, ſecondly, a great part of them might be re-exported to other countries, where, being ſold with profit, they might bring back a return equal

in value, perhaps, to the prime coft of the whole French goods imported. What has frequently been faid of the Eaft India trade might poffibly be true of the French; that though the greater part of Eaft India goods were bought with gold and filver, the re-exportation of a part of them to other countries, brought back more gold and filver to that which carried on the trade than the prime coaft of the whole amounted to. One of the moft important branches of the Dutch trade, at prefent, confifts in the carriage of French goods to other European countries. Some part even of the French wine drank in Great Britain is clandeftinely imported from Holland and Zealand. If there was either a free trade between France and England, or if French goods could be imported upon paying only the fame duties as thofe of other European nations, to be drawn back upon exportation, England might have fome fhare of a trade which is found fo advantageous to Holland.

Thirdly, and laftly, there is no certain criterion by which we can determine on which fide what is called the balance between any two countries lies, or which of them exports to the greateft value. National prejudice and animofity, prompted always by the private intereft of particular traders, are the principles which generally direct our judgment upon all queftions concerning it. There are two criterions, however, which have frequently been appeal^d to upon fuch occafions, the cuftom-houfe books and the courfe of exchange. The cuftom-houfe books,

I think,

I think, it is now generally acknowledged, are a very uncertain criterion, on account of the inaccuracy of the valuation at which the greater part of goods are rated in them. The courſe of exchange is, perhaps, almoſt equally ſo.

When the exchange between two places, ſuch as London and Paris, is at par, it is ſaid to be a ſign that the debts due from London to Paris are compenſated by thoſe due from Paris to London. On the contrary, when a premium is paid at London for a bill upon Paris, it is ſaid to be a ſign that the debts due from London to Paris are not compenſated by thoſe due from Paris to London, but that a balance in money muſt be ſent out from the latter place; for the riſk, trouble, and expenſe of exporting which, the premium is both demanded and given. But the ordinary ſtate of debt and credit between thoſe two cities muſt neceſſarily be regulated, it is ſaid, by the ordinary courſe of the dealings with one another. When neither of them imports from the other to a greater amount than it exports to that other, the debts and credits of each may compenſate one another. But when one of them imports from the other to a greater value than it exports to that other, the former neceſſarily becomes indebted to the latter in a greater ſum than the latter becomes indebted to it: the debts and credits of each do not compenſate one another, and money muſt be ſent out from that place of which the debts over-balance the credits. The ordinary courſe of exchange, therefore, being an indication of the ordinary

ſtate of debt and credit between two places, muſt likewiſe be an indication of the ordinary courſe of their exports and imports, as theſe neceſſarily regulate that ſtate.

But though the ordinary courſe of exchange ſhould be allowed to be a ſufficient indication of the ordinary ſtate of debt and credit between any two places, it would not from thence follow, that the balance of trade was in favor of that place which had the ordinary ſtate of debt and credit in its favor. The ordinary ſtate of debt and credit between any two places is not always entirely regulated by the ordinary courſe of their dealings with one another; but is often influenced by that of the dealings of either with many other places. If it is uſual, for example, for the merchants of England to pay for the goods which they buy of Hamburgh, Dantzic, Riga, &c. by bills upon Holland, the ordinary ſtate of debt and credit between England and Holland will not be regulated entirely by the ordinary courſe of the dealings of thoſe two countries with one another, but will be influenced by that of the dealings of England with thoſe other places. England may be obliged to ſend out every year money to Holland, though its annual exports to that country may exceed very much the annual value of its imports from thence; and though what is called the balance of trade may be very much in favor of England.

In the way, beſides, in which the par of exchange has hitherto been computed, the ordinary courſe of exchange can afford no ſufficient indication

that the ordinary ſtate of debt and credit is in favor of that country which ſeems to have, or which is ſuppoſed to have, the ordinary courſe of exchange in its favor: or, in other words, the real exchange may be, and, in fact, often is ſo very different from the computed one, that from the courſe of the latter no certain concluſion can, upon many occaſions, be drawn concerning that of the former.

When for a ſum of money paid in England, containing, according to the ſtandard of the Engliſh mint, a certain number of ounces of pure ſilver, you receive a bill for a ſum of money to be paid in France, containing, according to the ſtandard of the French mint, an equal number of ounces of pure ſilver, exchange is ſaid to be at par between England and France. When you pay more, you are ſuppoſed to give a premium, and exchange is ſaid to be againſt England, in favor of France. When you pay leſs, you are ſuppoſed to get a premium, and exchange is ſaid to be againſt France, and in favor of England.

But, firſt, we cannot always judge of the value of the current money of different countries by the ſtandard of their reſpective mints. In ſome it is more, in others it is leſs worn, clipt, and otherwiſe degenerated from that ſtandard. But the value of the current coin of every country, compared with that of any other country, is in proportion not to the quantity of pure ſilver which it ought to contain, but to that which it actually does contain. Before the reformation of

the ſilver coin in king William's time, exchange between England and Holland, computed, in the uſual manner, according to the ſtandard of their reſpective mints, was five-and-twenty per cent. againſt England. But the value of the current coin of England, as we learn from M. Lowndes, was at that time rather more than five-and-twenty per cent. below its ſtandard value. The real exchange, therefore, may even at that time have been in favor of England, notwithſtanding the computed exchange was ſo much againſt it; a ſmaller number of ounces of pure ſilver, actually paid in England, may have purchaſed a bill for a greater number of ounces of pure ſilver to be paid in Holland, and the man who was ſuppoſed to give, may in reality have got the premium. The French coin was, before the late reformation of the Engliſh gold coin, much leſs worn than the Engliſh, and was, perhaps, two or three per cent. nearer its ſtandard. If the computed exchange with France, therefore, was not more than two or three per cent. againſt England, the real exchange might have been in its favor. Since the reformation of the gold coin, the exchange has been conſtantly in favor of England, and againſt France.

Secondly, in ſome countries, the expenſe of coinage is defrayed by the government; in others, it is defrayed by the private people who carry their bullion to the mint, and the government even derives ſome revenue from the coinage. In England, it is defrayed by the government, and if you carry a pound weight of ſtandard ſilver to

the mint, you get back ſixty-two ſhillings, containing a pound weight of the like ſtandard ſilver. In France, a duty of eight per cent. is deducted for the coinage, which not only defrays the expenſe of it, but affords a ſmall revenue to the government. In England, as the coinage coſts nothing, the current coin can never be much more valuable than the quantity of bullion which it actually contains. In France, the workmanſhip, as you pay for it, adds to the value, in the ſame manner as to that of wrought plate. A ſum of French money, therefore, containing a certain weight of pure ſilver, is more valuable than a ſum of Engliſh money containing an equal weight of pure ſilver, and muſt require more bullion, or other commodities, to purchaſe it. Though the current coin of the two countries, therefore, were equally near the ſtandards of their reſpective mints, a ſum of Engliſh money could not well purchaſe a ſum of French money, containing an equal number of ounces of pure ſilver, nor conſequently a bill upon France for ſuch a ſum. If for ſuch a bill no more additional money was paid than what was ſufficient to compenſate the expenſe of the French coinage, the real exchange might be at par between the two countries, their debts and credits might mutually compenſate one another, while the computed exchange was conſiderably in favor of France. If leſs than this was paid, the real exchange might be in favor of England, while the computed was in favor of France.

Thirdly, and laſtly, in ſome places, as at Amſterdam, Hamburgh, Venice, &c. foreign bills of exchange are paid in what they call bank money; while in others, as at London, Liſbon, Antwerp, Leghorn, &c. they are paid in the common currency of the country. What is called bank money is always of more value than the ſame nominal ſum of common currency. A thouſand guilders in the bank of Amſterdam, for example, are of more value than a thouſand guilders of Amſterdam currency. The difference between them is called the agio of the bank, which, at Amſterdam, is generally about five per cent. Suppoſing the current money of the two countries equally near to the ſtandard of their reſpective mints, and that the one pays foreign bills in this common currency, while the other pays them in bank money, it is evident that the computed exchange may be in favor of that which pays in bank money, though the real exchange ſhould be in favor of that which pays in current money; for the ſame reaſon that the computed exchange may be in favor of that which pays in better money, or in money nearer to its own ſtandard, though the real exchange ſhould be in favor of that which pays in worſe. The computed exchange, before the late reformation of the gold coin, was generally againſt London with Amſterdam, Hamburgh, Venice, and, I believe, with all other places which pay in what is called bank money. It will by no means follow, however, that the real exchange was againſt it. Since the reformation of the gold

coin, it has been in favor of London even with thofe places. The computed exchange has generally been in favor of London with Lifbon, Antwerp, Leghorn, and, if you except France, I believe, with moft other parts of Europe that pay in common currency; and it is not improbable that the real exchange was fo too.

Digreffion concerning Banks of Depofit, particularly concerning that of Amfterdam.

THE currency of a great ftate, fuch as France or England, generally confifts almoft entirely of its own coin. Should this currency, therefore, be at any time worn, clipt, or otherwife degraded below its ftandard value, the ftate by a reformation of its coin can effectually re-eftablifh its currency. But the currency of a fmall ftate, fuch as Genoa or Hamburgh, can feldom confift altogether in its own coin, but muft be made up, in a great meafure, of the coins of all the neighbouring ftates with which its inhabitants have a continual intercourfe. Such a ftate, therefore, by reforming its coin, will not always be able to reform its currency. If foreign bills of exchange are paid in this currency, the uncertain value of any fum, of what is in its own nature fo uncertain, muft render the exchange always very much againft fuch a ftate, its currency being, in all foreign ftates, neceffarily valued even below what it is worth.

In order to remedy the inconvenience to which this difadvantageous exchange muft have fubjected their merchants, fuch fmall ftates, when they began to attend to the intereft of trade, have frequently enacted, that foreign bills of exchange of a certain value fhould be paid, not in common currency, but by an order upon, or by a transfer in the books of a certain bank, eftablifhed upon the credit, and under the protection of the ftate; this bank being always obliged to pay, in good and true money, exactly according to the ftandard of the ftate. The banks of Venice, Genoa, Amfterdam, Hamburgh, and Nuremberg, feem to have been all originally eftablifhed with this view, though fome of them may have afterwards been made fubfervient to other purpofes. The money of fuch banks being better than the common currency of the country, neceffarily bore an agio, which was greater or fmaller, according as the currency was fuppofed to be more or lefs degraded below the ftandard of the ftate. The agio of the bank of Hamburgh, for example, which is faid to be commonly about fourteen per cent. is the fuppofed difference between the good ftandard money of the ftate, and the clipt, worn, and diminifhed currency poured into it from all the neighbouring ftates.

Before 1609 the great quantity of clipt and worn foreign coin, which the extenfive trade of Amfterdam brought from all parts of Europe, reduced the value of its currency about nine per cent. below that of good money frefh from

the mint. Such money no ſooner appeared than it was melted down or carried away, as it always is in ſuch circumſtances. The merchants, with plenty of currency, could not always find a ſufficient quantity of good money to pay their bills of exchange; and the value of thoſe bills, in ſpite of ſeveral regulations which were made to prevent it, became in a great meaſure uncertain.

In order to remedy theſe inconveniencies, a bank was eſtabliſhed in 1609 under the guarantee of the city. This bank received both foreign coin, and the light and worn coin of the country at its real intrinſic value in the good ſtandard money of the country, deducting only ſo much as was neceſſary for defraying the expenſe of coinage, and the other neceſſary expenſe of management. For the value which remained, after this ſmall deduction was made, it gave a credit in its books. This credit was called bank money, which, as it repreſented money exactly according to the ſtandard of the mint, was always of the ſame real value, and intrinſically worth more than current money. It was at the ſame time enacted, that all bills drawn upon or negociated at Amſterdam of the value of ſix hundred guilders and upwards ſhould be paid in bank money, which at once took away all uncertainty in the value of thoſe bills. Every merchant, in conſequence of this regulation, was obliged to keep an account with the bank in order to pay his foreign bills of exchange, which neceſſarily occaſioned a certain demand for bank money.

Bank money, over and above both its intrinſic ſuperiority to currency, and the additional value which this demand neceſſarily gives it, has likewiſe ſome other advantages. It is ſecure from fire, robbery, and other accidents; the city of Amſterdam is bound for it; it can be paid away by a ſimple transfer, without the trouble of counting, or the riſk of tranſporting it from one place to another. In conſequence of thoſe different advantages, it ſeems from the beginning to have borne an agio, and it is generally believed that all the money originally depoſited in the bank was allowed to remain there, nobody caring to demand payment of a debt which he could ſell for a premium in the market. By demanding payment of the bank, the owner of a bank credit would loſe this premium. As a ſhilling freſh from the mint will buy no more goods in the market than one of our common worn ſhillings, ſo the good and true money which might be brought from the coffers of the bank into thoſe of a private perſon, being mixed and confounded with the common currency of the country, would be of no more value than that currency, from which it could no longer be readily diſtinguiſhed. While it remained in the coffers of the bank, its ſuperiority was known and aſcertained. When it had come into thoſe of a private perſon, its ſuperiority could not well be aſcertained without more trouble than perhaps the difference was worth. By being brought from the coffers of the bank, beſides, it loſt all the other advantages of bank money; its ſecurity,

its eafy and fafe transferability, its ufe in paying foreign bills of exchange. Over and above all this, it could not be brought from thofe coffers, as it will appear by and by, without previoufly paying for the keeping.

Thofe depofits of coin, or thofe depofits which the bank was bound to reftore in coin, conftituted the original capital of the bank, or the whole value of what was reprefented by what is called bank money. At prefent they are fuppofed to conftitute but a very fmall part of it. In order to facilitate the trade in bullion, the bank has been for thefe many years in the practice of giving credit in its books upon depofits of gold and filver bullion. This credit is generally about five per cent. below the mint price of fuch bullion. The bank grants at the fame time what is called a recipice or receipt, entitling the perfon who makes the depofit, or the bearer, to take out the bullion again at any time within fix months, upon re-transferring to the bank a quantity of bank money equal to that for which credit had been given in its books when the depofit was made, and upon paying one-fourth per cent. for the keeping, if the depofit was in filver; and one-half per cent. if it was in gold; but at the fame time declaring, that in default of fuch payment, and upon the expiration of this term, the depofit fhould belong to the bank at the price at which it had been received, or for which credit had been given in the transfer books. What is thus paid for the keeping of the depofit may be confidered as a fort of warehoufe

rent; and why this warehoufe rent fhould be fo much dearer for gold than for filver, feveral different reafons have been affigned. The finenefs of gold, it has been faid, is more difficult to be afcertained than that of filver. Frauds are more eafily practifed, and occafion a greater lofs in the more precious metal. Silver, befides, being the ftandard metal, the ftate, it has been faid, wifhes to encourage more the making of depofits of filver than thofe of gold.

Depofits of bullion are moft commonly made when the price is fomewhat lower than ordinary; and they are taken out again when it happens to rife. In Holland the market price of bullion is generally above the mint price, for the fame reafon that it was fo in England before the late reformation of the gold coin. The difference is faid to be commonly from about fix to fixteen ftivers upon the mark, or eight ounces of filver of eleven parts fine, and one part alloy. The bank price, or the credit which the bank gives for depofits of fuch filver (when made in foreign coin, of which the finenefs is well known and afcertained, fuch as Mexico dollars), is twentytwo guilders the mark; the mint price is about twenty-three guilders, and the market price is from twenty-three guilders fix, to twenty-three guilders fixteen ftivers, or from two to three per cent. above the mint price *. The proportions between the bank price, the mint price,

* The following are the prices at which the bank of Amfterdam at prefent (September, 1775) receives bullion and coin of different kinds:

and the market price of gold bullion, are nearly the ſame. A perſon can generally ſell his receipt for the difference between the mint price of bullion and the market price. A receipt for bullion is almoſt always worth ſomething, and it very ſeldom happens, therefore, that any body ſuffers his receipt to expire, or allows his bullion to fall to the bank at the price at which it had been received, either by not taking it out before the end of the ſix months, or by neglecting to pay the one-fourth or one-half per cent. in

SILVER.

	Guilders.
Mexico dollars	
French crowns	B — 22 per mark
Engliſh ſilver coin	
Mexico dollars new coin	21. 10
Ducatoons	3.
Rix dollars	2. 8

Bar ſilver containing $\frac{11}{12}$ fine ſilver 21 per mark, and in this proportion down to $\frac{1}{4}$ fine, on which 5 guilders are given.

Fine bars, 23 per mark.

GOLD.

Portugal coin	
Guineas	B — 310 per mark.
Louis d'ors new	
Ditto old	300
New ducats	4 19 8 per ducat.

Bar or ingot gold is received in proportion to its fineneſs compared with the above foreign gold coin. Upon fine bars the bank gives 340 per mark. In general, however, ſomething more is given upon coin of a known fineneſs, than upon gold and ſilver bars, of which the fineneſs cannot be aſcertained but by a proceſs of melting and aſſaying.

order to obtain a new receipt for another ſix months. This, however, though it happens ſeldom, is ſaid to happen ſometimes, and more frequently with regard to gold, than with regard to ſilver, on account of the higher warehouſe-rent which is paid for the keeping of the more precious metal.

The perſon who by making a depoſit of bullion obtains both a bank credit and a receipt, pays his bills of exchange as they become due with his bank credit; and either ſells or keeps his receipt according as he judges that the price of bullion is likely to riſe or to fall. The receipt and the bank credit ſeldom keep long together, and there is no occaſion that they ſhould. The perſon who has a receipt, and who wants to take out bullion, finds always plenty of bank credits, or bank money to buy at the ordinary price; and the perſon who has bank money, and wants to take out bullion, finds receipts always in equal abundance.

The owners of bank credits, and the holders of receipts, conſtitute two different ſorts of creditors againſt the bank. The holder of a receipt cannot draw out the bullion for which it is granted, without re-aſſigning to the bank a ſum of bank money equal to the price at which the bullion had been received. If he has no bank money of his own, he muſt purchaſe it of thoſe who have it. The owner of bank money cannot draw out bullion without producing to the bank receipts for the quantity which he wants. If he has none of his own, he muſt buy them of thoſe

who have them. The holder of a receipt, when he purchafes bank money, purchafes the power of taking out a quantity of bullion, of which the mint price is five per cent. above the bank price. The agio of five per cent. therefore, which he commonly pays for it, is paid, not for an imaginary, but for a real value. The owner of bank money, when he purchafes a receipt, purchafes the power of taking out a quantity of bullion of which the market price is commonly from two to three per cent. above the mint price. The price which he pays for it, therefore, is paid likewife for a real value. The price of the receipt, and the price of the bank money, compound or make up between them the full value or price of the bullion.

Upon depofits of the coin current in the country, the bank grants receipts likewife as well as bank credits; but thofe receipts are frequently of no value, and will bring no price in the market. Upon ducatoons, for example, which in the currency pafs for three guilders three ftivers each, the bank gives a credit of three guilders only, or five per cent. below their current value. It grants a receipt likewife entitling the bearer to take out the number of ducatoons depofited at any time within fix months, upon paying one-fourth per cent. for the keeping. This receipt will frequently bring no price in the market. Three guilders bank money generally fell in the market for three guilders three ftivers, the full value of the ducatoons, if they were taken out of the bank; and before they can be taken out,

one-fourth per cent. muſt be paid for the keeping, which would be mere loſs to the holder of the receipt. If the agio of the bank, however, ſhould at any time fall to three per cent. ſuch receipts might bring ſome price in the market, and might ſell for one and three-fourths per cent. But the agio of the bank being now generally about five per cent. ſuch receipts are frequently allowed to expire, or as they expreſs it, to fall to the bank. The receipts which are given for depoſits of gold ducats fall to it yet more frequently, becauſe a higher wharehouſe-rent, or one-half per cent. muſt be paid for the keeping of them before they can be taken out again. The five per cent. which the bank gains, when depoſits either of coin or bullion are allowed to fall to it, may be conſidered as the warehouſe-rent for the perpetual keeping of ſuch depoſits.

The ſum of bank money for which the receipts are expired muſt be very conſiderable. It muſt comprehend the whole original capital of the bank, which, it is generally ſuppoſed, has been allowed to remain there from the time it was firſt depoſited, nobody caring either to renew his receipt or to take out his depoſit, as, for the reaſons already aſſigned, neither the one nor the other could be done without loſs. But whatever may be the amount of this ſum, the proportion which it bears to the whole maſs of bank money is ſuppoſed to be very ſmall. The bank of Amſterdam has for theſe many years paſt been the great warehouſe of Europe for

bullion,

bullion, for which the receipts are very ſeldom allowed to expire, or, as they expreſs it, to fall to the bank. The far greater part of the bank money, or of the credits upon the books of the bank, is ſuppoſed to have been created, for theſe many years paſt, by ſuch depoſits which the dealers in bullion are continually both making and withdrawing.

No demand can be made upon the bank but by means of a recipice or receipt. The ſmaller maſs of bank money, for which the receipts are expired, is mixed and confounded with the much greater maſs for which they are ſtill in force; ſo that, though there may be a conſiderable ſum of bank money, for which there are no receipts, there is no ſpecific ſum or portion of it, which may not at any time be demanded by one. The bank cannot be debtor to two perſons for the ſame thing; and the owner of bank money who has no receipt, cannot demand payment of the bank till he buys one. In ordinary and quiet times, he can find no difficulty in getting one to buy at the market price, which generally correſponds with the price at which he can ſell the coin or bullion it entitles him to take out of the bank.

It might be otherwiſe during a public calamity; an invaſion, for example, ſuch as that of the French in 1672. The owners of bank money being then all eager to draw it out of the bank, in order to have it in their own keeping, the demand for receipts might raiſe their price to an exorbitant height. The holders of them

might form extravagant expectations, and, inftead of two or three per cent. demand half the bank money for which credit had been given upon the depofits that the receipts had refpectively been granted for. The enemy, informed of the conftitution of the bank, might even buy them up, in order to prevent the carrying away of the treafure. In fuch emergencies, the bank, it is fuppofed, would break through its ordinary rule of making payment only to the holders of receipts. The holders of receipts, who had no bank money, muft have received within two or three per cent. of the value of the depofit for which their refpective receipts had been granted. The bank, therefore, it is faid, would in this cafe make no fcruple of paying, either with money or bullion, the full value of what the owners of bank money who could get no receipts were credited for in its books; paying at the fame time two or three per cent. to fuch holders of receipts as had no bank money, that being the whole value which in this ftate of things could juftly be fuppofed due to them.

Even in ordinary and quiet times it is the intereft of the holders of receipts to deprefs the agio, in order either to buy bank money (and confequently the bullion, which their receipts would then enable them to take out of the bank) fo much cheaper, or to fell their receipts to thofe who have bank money, and who want to take out bullion, fo much dearer; the price of a receipt being generally equal to the difference between the market price of bank money, and

that of the coin or bullion for which the receipt had been granted. It is the intereſt of the owners of bank money, on the contrary, to raiſe the agio, in order either to ſell their bank money ſo much dearer, or to buy a receipt ſo much cheaper. To prevent the ſtock-jobbing tricks which thoſe oppoſite intereſts might ſometimes occaſion, the bank has of late years come to the reſolution to ſell at all times bank money for currency, at five per cent. agio, and to buy it in again at four per cent. agio. In conſequence of this reſolution, the agio can never either riſe above five, or ſink below four per cent. and the proportion between the market price of bank and that of current money, is kept at all times very near to the proportion between their intrinſic values. Before this reſolution was taken, the market price of bank money uſed ſometimes to riſe ſo high as nine per cent. agio, and ſometimes to ſink ſo low as par, according as oppoſite intereſts happened to influence the market.

The bank of Amſterdam profeſſes to lend out no part of what is depoſited with it, but, for every guilder for which it gives credit in its books, to keep in its repoſitories the value of a guilder either in money or bullion. That it keeps in its repoſitories all the money or bullion for which there are receipts in force, for which it is at all times liable to be called upon, and which, in reality, is continually going from it and returning to it again, cannot well be doubted. But whether it does ſo likewiſe with regard to that part of its capital, for which the receipts

are long ago expired, for which in ordinary and quiet times it cannot be called upon, and which in reality is very likely to remain with it for ever, or as long as the States of the United Provinces ſubſiſt, may perhaps appear more uncertain. At Amſterdam, however, no point of faith is better eſtabliſhed than that for every guilder, circulated as bank money, there is a correſpondent guilder in gold or ſilver to be found in the treaſure of the bank. The city is guarantee that it ſhould be ſo. The bank is under the direction of the four reigning burgomaſters, who are changed every year. Each new ſet of burgomaſters viſits the treaſure, compares it with the books, receives it upon oath, and delivers it over, with the ſame awful ſolemnity, to the ſet which ſucceeds; and in that ſober and religious country oaths are not yet diſregarded. A rotation of this kind ſeems alone a ſufficient ſecurity againſt any practices which cannot be avowed. Amidſt all the revolutions which faction has ever occaſioned in the government of Amſterdam, the prevailing party has at no time accuſed their predeceſſors of infidelity in the adminiſtration of the bank. No accuſation could have affected more deeply the reputation and fortune of the diſgraced party, and if ſuch an accuſation could have been ſupported, we may be aſſured that it would have been brought. In 1672, when the French king was at Utrecht, the bank of Amſterdam paid ſo readily as left no doubt of the fidelity with which it had obſerved its engagements. Some of the pieces which were then

brought from its repofitories appeared to have been fcorched with the fire which happened in the town-houfe foon after the bank was eftablifhed. Thofe pieces, therefore, muft have lain there from that time.

What may be the amount of the treafure in the bank, is a queftion which has long employed the fpeculations of the curious. Nothing but conjecture can be offered concerning it. It is generally reckoned that there are about two thoufand people who keep accounts with the bank, and allowing them to have, one with another, the value of fifteen hundred pounds fterling lying upon their refpective accounts (a very large allowance), the whole quantity of bank money, and confequently of treafure in the bank, will amount to about three millions fterling, or at eleven guilders the pound fterling, thirty-three millions of guilders; a great fum, and fufficient to carry on a very extenfive circulation; but vaftly below the extravagant ideas which fome people have formed of this treafure.

The city of Amfterdam derives a confiderable revenue from the bank. Befides what may be called the warehoufe-rent above-mentioned, each perfon, upon firft opening an account with the bank, pays a fee of ten guilders; and for every new account three guilders three ftivers; for every transfer two ftivers; and if the transfer is for lefs than three hundred guilders, fix ftivers, in order to difcourage the multiplicity of fmall tranfactions. The perfon who neglects to balance his account twice in the year forfeits

twenty-five guilders. The perſon who orders a transfer for more than is upon his account, is obliged to pay three per cent. for the ſum over-drawn, and his order is ſet aſide into the bargain. The bank is ſuppoſed too to make a conſiderable profit by the ſale of the foreign coin or bullion which ſometimes falls to it by the expiring of receipts, and which is always kept till it can be ſold with advantage. It makes a profit likewiſe by ſelling bank money at five per cent. agio, and buying it in at four. Theſe different emoluments amount to a good deal more than what is neceſſary for paying the ſalaries of officers, and defraying the expenſe of management. What is paid for the keeping of bullion upon receipts, is alone ſuppoſed to amount to a neat annual revenue of between one hundred and fifty thouſand and two hundred thouſand guilders. Public utility, however, and not revenue, was the original object of this inſtitution. Its object was to relieve the merchants from the inconvenience of a diſadvantageous exchange. The revenue which has ariſen from it was unforeſeen, and may be conſidered as accidental.

But it is now time to return from this long digreſſion, into which I have been inſenſibly led in endeavouring to explain the reaſons why the exchange between the countries which pay in what is called bank money, and thoſe which pay in common currency, ſhould generally appear to be in favor of the former, and againſt the latter. The former pay in a ſpecies of money of which the intrinſic value is always the ſame, and exactly

agreeable to the ſtandard of their reſpective mints; the latter in a ſpecies of money of which the intrinſic value is continually varying, and is almoſt always more or leſs below that ſtandard.

PART. II.

Of the Unreaſonableneſs of thoſe extraordinary Reſtraints upon other Principles.

IN the foregoing Part of this Chapter I have endeavoured to ſhow, even upon the principles of the commercial ſyſtem, how unneceſſary it is to lay extraordinary reſtraints upon the importation of goods from thoſe countries with which the balance of trade is ſuppoſed to be diſadvantageous.

Nothing, however, can be more abſurd than this whole doctrine of the balance of trade, upon which, not only theſe reſtraints, but almoſt all the other regulations of commerce are founded. When two places trade with one another, this doctrine ſuppoſes that, if the balance be even, neither of them either loſes or gains; but if it leans in any degree to one ſide, that one of them loſes, and the other gains in proportion to its declenſion from the exact equilibrium. Both ſuppoſitions are falſe. A trade which is forced by means of bounties and monopolies, may be, and commonly is diſadvantageous to the country in whoſe favor it is meant to be eſtabliſhed, as I ſhall endeavour to ſhow hereafter. But that

trade which, without force or conſtraint, is naturally and regularly carried on between any two places, is always advantageous, though not always equally ſo, to both.

By advantage or gain, I underſtand, not the increaſe of the quantity of gold and ſilver, but that of the exchangeable value of the annual produce of the land and labor of the country, or the increaſe of the annual revenue of its inhabitants.

If the balance be even, and if the trade between the two places conſiſt altogether in the exchange of their native commodities, they will, upon moſt occaſions, not only both gain, but they will gain equally, or very near equally; each will in this caſe afford a market for a part of the ſurplus produce of the other: each will replace a capital which had been employed in raiſing and preparing for the market this part of the ſurplus produce of the other, and which had been diſtributed among, and given revenue and maintenance to a certain number of its inhabitants. Some part of the inhabitants of each, therefore, will indirectly derive their revenue and maintenance from the other. As the commodities exchanged too are ſuppoſed to be of equal value, ſo the two capitals employed in the trade will, upon moſt occaſions, be equal, or very nearly equal; and both being employed in raiſing the native commodities of the two countries, the revenue and maintenance which their diſtribution will afford to the inhabitants of each will be equal, or very nearly equal. This revenue

and maintenance, thus mutually afforded, will be greater or ſmaller in proportion to the extent of their dealings. If theſe ſhould annually amount to a hundred thouſand pounds, for example, or to a million on each ſide, each of them would afford an annual revenue in the one caſe, of a hundred thouſand pounds, in the other, of a million, to the inhabitants of the other.

If their trade ſhould be of ſuch a nature that one of them exported to the other nothing but native commodities, while the returns of that other conſiſted altogether in foreign goods; the balance, in this caſe, would ſtill be ſuppoſed even, commodities being paid for with commodities. They would, in this caſe too, both gain, but they would not gain equally; and the inhabitants of the country which exported nothing but native commodities would derive the greateſt revenue from the trade. If England, for example, ſhould import from France nothing but the native commodities of that country, and, not having ſuch commodities of its own as were in demand there, ſhould annually repay them by ſending thither a large quantity of foreign goods, tobacco, we ſhall ſuppoſe, and Eaſt-India goods; this trade, though it would give ſome revenue to the inhabitants of both countries, would give more to thoſe of France than to thoſe of England. The whole French capital annually employed in it would annually be diſtributed among the people of France. But that part of the Engliſh capital only which was employed in producing the Engliſh commodities with which thoſe

foreign goods were purchafed, would be annually diftributed among the people of England. The greater part of it would replace the capitals which had been employed in Virginia, Indoftan, and China, and which had given revenue and maintenance to the inhabitants of thofe diftant countries. If the capitals were equal, or nearly equal, therefore, this employment of the French capital would augment much more the revenue of the people of France, than that of the Englifh capital would the revenue of the people of England. France would in this cafe carry on a direct foreign trade of confumption with England; whereas England would carry on a round-about trade of the fame kind with France. The different effects of a capital employed in the direct, and of one employed in the round-about foreign trade of confumption, have already been fully explained.

There is not, probably, between any two countries, a trade which confifts altogether in the exchange either of native commodities on both fides, or of native commodities on one fide and of foreign goods on the other. Almoft all countries exchange with one another partly native and partly foreign goods. That country, however, in whofe cargoes there is the greateft proportion of native, and the leaft of foreign goods, will always be the principal gainer.

If it was not with tobacco and Eaft-India goods, but with gold and filver, that England paid for the commodities annually imported from France, the balance, in this cafe, would be fuppofed

uneven, commodities not being paid for with commodities, but with gold and ſilver. The trade, however, would, in this caſe, as in the foregoing, give ſome revenue to the inhabitants of both countries, but more to thoſe of France than to thoſe of England. It would give ſome revenue to thoſe of England. The capital which had been employed in producing the Engliſh goods that purchaſed this gold and ſilver, the capital which had been diſtributed among, and given revenue to, certain inhabitants of England, would thereby be replaced, and enabled to continue that employment. The whole capital of England would no more be diminiſhed by this exportation of gold and ſilver, than by the exportation of an equal value of any other goods. On the contrary, it would, in moſt caſes, be augmented. No goods are ſent abroad but thoſe for which the demand is ſuppoſed to be greater abroad than at home, and of which the returns conſequently, it is expected, will be of more value at home than the commodities exported. If the tobacco which, in England, is worth only a hundred thouſand pounds, when ſent to France will purchaſe wine which is, in England, worth a hundred and ten thouſand pounds, the exchange will augment the capital of England by ten thouſand pounds. If a hundred thouſand pounds of Engliſh gold, in the ſame manner, purchaſe French wine, which, in England, is worth a hundred and ten thouſand, this exchange will equally augment the capital of England by ten thouſand pounds. As a merchant who has

a hundred and ten thoufand pounds worth of wine in his cellar, is a richer man than he who has only a hundred thoufand pounds worth of tobacco in his warehoufe, fo is he likewife a richer man than he who has only a hundred thoufand pounds worth of gold in his coffers. He can put into motion a greater quantity of induftry, and give revenue, maintenance, and employment to a greater number of people than either of the other two. But the capital of the country is equal to the capitals of all its different inhabitants, and the quantity of induftry which can be annually maintained in it, is equal to what all thofe different capitals can maintain. Both the capital of the country, therefore, and the quantity of induftry which can be annually maintained in it, muft generally be augmented by this exchange. It would, indeed, be more advantageous for England that it could purchafe the wines of France with its own hard-ware and broad-cloth, than with either the tobacco of Virginia, or the gold and filver of Brazil and Peru. A direct foreign trade of confumption is always more advantageous than a round-about one. But a round-about foreign trade of confumption, which is carried on with gold and filver, does not feem to be lefs advantageous than any other equally round-about one. Neither is a country which has no mines, more likely to be exhaufted of gold and filver by this annual exportation of thofe metals, than one which does not grow tobacco by the like annual exportation of that plant. As a country which has where-withal

to buy tobacco will never be long in want of it, ſo neither will one be long in want of gold and ſilver which has wherewithal to purchaſe thoſe metals.

It is a loſing trade, it is ſaid, which a workman carries on with the alehouſe; and the trade which a manufacturing nation would naturally carry on with a wine country, may be conſidered as a trade of the ſame nature. I anſwer, that the trade with the alehouſe is not neceſſarily a loſing trade. In its own nature it is juſt as advantageous as any other, though, perhaps, ſomewhat more liable to be abuſed. The employment of a brewer, and even that of a retailer of fermented liquors, are as neceſſary diviſions of labor as any other. It will generally be more advantageous for a workman to buy of the brewer the quantity he has occaſion for, than to brew it himſelf, and if he is a poor workman, it will generally be more advantageous for him to buy it, by little and little, of the retailer, than a large quantity of the brewer. He may no doubt buy too much of either, as he may of any other dealers in his neighbourhood, of the butcher, if he is a glutton, or of the draper, if he affects to be a beau among his companions. It is advantageous to the great body of workmen, notwithſtanding, that all theſe trades ſhould be free, though this freedom may be abuſed in all of them, and is more likely to be ſo, perhaps, in ſome than in others. Though individuals, beſides, may ſometimes ruin their fortunes by an exceſſive conſumption of fermented liquors, there

ſeems to be no riſk that a nation ſhould do ſo. Though in every country there are many people who ſpend upon ſuch liquors more than they can afford, there are always many more who ſpend leſs. It deſerves to be remarked too, that, if we conſult experience, the cheapneſs of wine ſeems to be a cauſe, not of drunkenneſs, but of ſobriety. The inhabitants of the wine countries are in general the ſobereſt people in Europe; witneſs the Spaniards, the Italians, and the inhabitants of the ſouthern provinces of France. People are ſeldom guilty of exceſs in what is their daily fare. Nobody affects the character of liberality and good fellowſhip, by being profuſe of a liquor which is as cheap as ſmall beer. On the contrary, in the countries which, either from exceſſive heat or cold, produce no grapes, and where wine conſequently is dear and a rarity, drunkenneſs is a common vice, as among the northern nations, and all thoſe who live between the tropics, the negroes, for example, on the coaſt of Guinea. When a French regiment comes from ſome of the northern provinces of France, where wine is ſomewhat dear, to be quartered in the ſouthern, where it is very cheap, the ſoldiers, I have frequently heard it obſerved, are at firſt debauched by the cheapneſs and novelty of good wine; but after a few months reſidence, the greater part of them become as ſober as the reſt of the inhabitants. Were the duties upon foreign wines, and the exciſes upon malt, beer, and ale, to be taken away all at once, it might, in the ſame manner, occaſion in Great

Britain a pretty general and temporary drunkenneſs among the middling and inferior ranks of people, which would probably be ſoon followed by a permanent and almoſt univerſal ſobriety. At preſent drunkenneſs is by no means the vice of people of faſhion, or of thoſe who can eaſily afford the moſt expenſive liquors. A gentleman drunk with ale, has ſcarce ever been ſeen among us. The reſtraints upon the wine trade in Great Britain, beſides, do not ſo much ſeem calculated to hinder the people from going, if I may ſay ſo, to the alehouſe, as from going where they can buy the beſt and cheapeſt liquor. They favor the wine trade of Portugal, and diſcourage that of France. The Portugueſe, it is ſaid, indeed, are better cuſtomers for our manufactures than the French, and ſhould therefore be encouraged in preference to them. As they give us their cuſtom, it is pretended, we ſhould give them ours. The ſneaking arts of underling tradeſmen are thus erected into political maxims for the conduct of a great empire; for it is the moſt underling tradeſmen only who make it a rule to employ chiefly their own cuſtomers. A great trader purchaſes his goods always where they are cheapeſt and beſt, without regard to any little intereſt of this kind.

By ſuch maxims as theſe, however, nations have been taught that their intereſt conſiſted in beggaring all their neighbours. Each nation has been made to look with an invidious eye upon the proſperity of all the nations with which it trades, and to conſider their gain as its own

lofs. Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendfhip, has become the moft fertile fource of difcord and animofity. The capricious ambition of kings and minifters has not, during the prefent and the preceding century, been more fatal to the repofe of Europe, than the impertinent jealoufy of merchants and manufacturers. The violence and injuftice of the rulers of mankind is an ancient evil, for which, I am afraid, the nature of human affairs can fcarce admit of a remedy. But the mean rapacity, the monopolizing fpirit of merchants and manufacturers, who neither are, nor ought to be, the rulers of mankind, though it cannot perhaps be corrected, may very eafily be prevented from difturbing the tranquillity of any body but themfelves.

That it was the fpirit of monopoly which originally both invented and propagated this doctrine, cannot be doubted; and they who firft taught it were by no means fuch fools as they who believed it. In every country it always is and muft be the intereft of the great body of the people to buy whatever they want of thofe who fell it cheapeft. The propofition is fo very manifeft, that it feems ridiculous to take any pains to prove it; nor could it ever have been called in queftion, had not the interefted fophiftry of merchants and manufacturers confounded the common fenfe of mankind. Their intereft is, in this refpect, directly oppofite to that of the great body of the people. As it is the intereft of the freemen

of

of a corporation to hinder the reſt of the inhabitants from employing any workmen but themſelves, ſo it is the intereſt of the merchants and manufacturers of every country to ſecure to themſelves the monopoly of the home market. Hence in Great Britain, and in moſt other European countries, the extraordinary duties upon almoſt all goods imported by alien merchants. Hence the high duties and prohibitions upon all thoſe foreign manufactures which can come into competition with our own. Hence too the extraordinary reſtraints upon the importation of almoſt all ſorts of goods from thoſe countries with which the balance of trade is ſuppoſed to be diſadvantageous; that is, from thoſe againſt whom national animoſity happens to be moſt violently inflamed.

The wealth of a neighbouring nation, however, though dangerous in war and politics, is certainly advantageous in trade. In a ſtate of hoſtility it may enable our enemies to maintain fleets and armies ſuperior to our own; but in a ſtate of peace and commerce it muſt likewiſe enable them to exchange with us to a greater value, and to afford a better market, either for the immediate produce of our own induſtry, or for whatever is purchaſed with that produce. As a rich man is likely to be a better cuſtomer to the induſtrious people in his neighbourhood, than a poor, ſo is likewiſe a rich nation. A rich man, indeed, who is himſelf a manufacturer, is a very dangerous neighbour to all thoſe who deal in the ſame way. All the reſt of the neigh-

bourhood, however, by far the greateſt number, profit by the good market which his expenſe affords them. They even profit by his underſelling the poorer workmen who deal in the ſame way with him. The manufacturers of a rich nation, in the ſame manner, may no doubt be very dangerous rivals to thoſe of their neighbours. This very competition, however, is advantageous to the great body of the people, who profit greatly beſides by the good market which the great expenſe of ſuch a nation affords them in every other way. Private people who want to make a fortune, never think of retiring to the remote and poor provinces of the country, but reſort either to the capital, or to ſome of the great commercial towns. They know, that, where little wealth circulates, there is little to be got, but that where a great deal is in motion, ſome ſhare of it may fall to them. The ſame maxims which would in this manner direct the common ſenſe of one, or ten, or twenty individuals, ſhould regulate the judgment of one, or ten, or twenty millions, and ſhould make a whole nation regard the riches of its neighbours, as a probable cauſe and occaſion for itſelf to acquire riches. A nation that would enrich itſelf by foreign trade, is certainly moſt likely to do ſo when its neighbours are all rich, induſtrious, and commercial nations. A great nation ſurrounded on all ſides by wandering ſavages and poor barbarians might, no doubt, acquire riches by the cultivation of its own lands, and by its own interior commerce, but not by foreign trade. It ſeems to have been

in this manner that the ancient Egyptians and the modern Chinefe acquired their great wealth. The ancient Egyptians, it is faid, neglected foreign commerce, and the modern Chinefe, it is known, hold it in the utmoft contempt, and fcarce deign to afford it the decent protection of the laws. The modern maxims of foreign commerce, by aiming at the impoverifhment of all our neighbours, fo far as they are capable of producing their intended effect, tend to render that very commerce infignificant and contemptible.

It is in confequence of thefe maxims that the commerce between France and England has in both countries been fubjected to fo many difcouragements and reftraints. If thofe two countries, however, were to confider their real intereft, without either mercantile jealoufy or national animofity, the commerce of France might be more advantageous to Great Britain than that of any other country, and for the fame reafon that of Great Britain to France. France is the neareft neighbour to Great Britain. In the trade between the fouthern coaft of England and the northern and north-weftern coafts of France, the returns might be expected, in the fame manner as in the inland trade, four, five, or fix times in the year. The capital, therefore, employed in this trade, could in each of the two countries keep in motion four, five, or fix times the quantity of induftry, and afford employment and fubfiftence to four, five, or fix times the number of people, which an equal capital could do in the

greater part of the other branches of foreign trade. Between the parts of France and Great Britain moſt remote from one another, the returns might be expected, at leaſt, once in the year, and even this trade would ſo far be at leaſt equally advantageous as the greater part of the other branches of our foreign European trade. It would be, at leaſt, three times more advantageous, than the boaſted trade with our North American colonies, in which the returns were ſeldom made in leſs than three years, frequently not in leſs than four or five years. France, beſides, is ſuppoſed to contain twenty-four millions of inhabitants. Our North American colonies were never ſuppoſed to contain more than three millions: And France is a much richer country than North America; though, on account of the more unequal diſtribution of riches, there is much more poverty and beggary in the one country, than in the other. France therefore could afford a market at leaſt eight times more extenſive, and, on account of the ſuperior frequency of the returns, four-and-twenty times more advantageous, than that which our North American colonies ever afforded. The trade of Great Britain would be juſt as advantageous to France, and, in proportion to the wealth, population and proximity of the reſpective countries, would have the ſame ſuperiority over that which France carries on with her own colonies. Such is the very great difference between that trade which the wiſdom of both nations has thought

proper to difcourage, and that which it has favored the moft.

But the very fame circumftance which would have rendered an open and free commerce between the two countries fo advantageous to both, have occafioned the principal obftructions to that commerce. Being neighbours, they are neceffarily enemies, and the wealth and power of each becomes, upon that account, more formidable to the other; and what would increafe the advantage of national friendfhip, ferves only to inflame the violence of national animofity. They are both rich and induftrious nations; and the merchants and manufacturers of each, dread the competition of the fkill and activity of thofe of the other. Mercantile jealoufy is excited, and both inflames, and is itfelf inflamed, by the violence of national animofity: And the traders of both countries have announced, with all the paffionate confidence of interefted falfhood, the certain ruin of each, in confequence of that unfavorable balance of trade, which, they pretend, would be the infallible effect of an unreftrained commerce with the other.

There is no commercial country in Europe of which the approaching ruin has not frequently been foretold by the pretended doctors of this fyftem, from an unfavorable balance of trade. After all the anxiety, however, which they have excited about this, after all the vain attempts of almoft all trading nations to turn that balance in their own favor and againft their neighbours,

it does not appear that any one nation in Europe has been in any refpect impoverifhed by this caufe. Every town and country, on the contrary, in proportion as they have opened their ports to all nations, inftead of being ruined by this free trade, as the principles of the commercial fyftem would lead us to expect, have been enriched by it. Though there are in Europe, indeed, a few towns which in fome refpects deferve the name of free ports, there is no country which does fo. Holland, perhaps, approaches the neareft to this character of any, though ftill very remote from it; and Holland, it is acknowledged, not only derives its whole wealth, but a great part of its neceffary fubfiftence, from foreign trade.

There is another balance, indeed, which has already been explained, very different from the balance of trade, and which, according as it happens to be either favorable or unfavorable, neceffarily occafions the profperity or decay of every nation. This is the balance of the annual produce and confumption. If the exchangeable value of the annual produce, it has already been obferved, exceeds that of the annual confumption, the capital of the fociety muft annually increafe in proportion to this excefs. The fociety in this cafe lives within its revenue, and what is annually faved out of its revenue, is naturally added to its capital, and employed fo as to increafe ftill further the annual produce. If the exchangeable value of the annual produce,

on the contrary, fall ſhort of the annual conſumption, the capital of the ſociety muſt annually decay in proportion to this deficiency. The expenſe of the ſociety in this caſe exceeds its revenue, and neceſſarily encroaches upon its capital. Its capital, therefore, muſt neceſſarily decay, and, together with it, the exchangeable value of the annual produce of its induſtry.

This balance of produce and conſumption is entirely different from, what is called, the balance of trade. It might take place in a nation which had no foreign trade, but which was entirely ſeparated from all the world. It may take place in the whole globe of the earth, of which the wealth, population, and improvement may be either gradually increaſing or gradually decaying.

The balance of produce and conſumption may be conſtantly in favor of a nation, though what is called the balance of trade be generally againſt it. A nation may import to a greater value than it exports for half a century, perhaps, together; the gold and ſilver which comes into it during all this time may be all immediately ſent out of it; its circulating coin may gradually decay, different ſorts of paper money being ſubſtituted in its place, and even the debts too which it contracts in the principal nations with whom it deals, may be gradually increaſing; and yet its real wealth, the exchangeable value of the annual produce of its lands and labor, may, during the ſame period, have been increaſing in

a much greater proportion. The ſtate of our North American colonies, and of the trade which they carried on with Great Britain, before the commencement of the preſent diſturbances *, may ſerve as a proof that this is by no means an impoſſible ſuppoſition.

* This paragraph was written in the year 1775.

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